

Senate Bill 798--Relating to the compensation of certain state officers and employes; amending ORS 292.405, 292.410, 292.415 and 292.420; and declaring an emergency.

Senator Fadeley moved that Senate Bill 798 be amended as set out on the printed agenda.

Senator Fadeley explained that this bill, as amended by the Salary Subcommittee, provides increases in salaries for the judges of the Supreme Court, Court of Appeals, circuit and district courts on a two-step basis. At the end of the biennium, the salary for the Supreme Court justice would be \$32,000; for Court of Appeals judge, \$31,000; for circuit court judge, \$29,000; and for district court judge, \$26,000. Senator Fadeley said he had been requested to recommend an increase for circuit court judge to \$32,000 at the end of the biennium, but a decision has been made, and he thought the increases being provided for the judiciary are adequate.

In response to Representative Hansell's inquiry, Senator Fadeley said the increase for the Supreme Court is six to nine and one-half percent in the first year with an additional eight and one-half to nine and one-half percent in the second; and district court judges are increased by 23.7 percent in the first year and 10.6 percent in the second. This reflects a major effort to bring the salaries of district court judges into closer comparability with salaries in higher courts. The increases are recommended at a cost somewhat below that of the Governor's most recent recommendations, but will still cost slightly more than \$200,000. This additional cost is expected to be financed from savings in the Salary Adjustment Fund resulting from other cuts in the budget recommended by the Governor.

Representative Hansell noted that these increases are substantially higher than in other areas but undoubtedly much deserved. Senator Fadeley said a special subcommittee had available to it the income tax returns of a number of judges which revealed that in several cases the loss of income after leaving private practice was at least 50 percent and loss after taxes was still one-third.

Senator Fadeley's motion to amend carried.

Senator Fadeley moved that Senate Bill 798 be reported out "Do pass as amended." Motion carried, with Representative Hansell and Senator Newbry voting "no" on roll call vote.

Senate Bill 808--Relating to retirement for public employes; amending ORS 1.355, 237.011, 237.025 and others; repealing ORS 237.115 and 237.151; and declaring an emergency.

Senator Heard explained that certain parts of this bill relate to minor housekeeping issues within the Public Employes' Retirement Board while others relate to administrative matters. The Salary Subcommittee considered this bill in some depth, and a number of proposals were deleted because of their policy implications. The Board requested exclusive authority

to set the salary of its executive secretary, and this provision was denied. The bill, as amended, will allow a withdrawn member returning to service within five years the opportunity to restore membership in PERS during the first full year of reemployment. At the present time, an employe must reinstate within six months which frequently has been constituted as inadequate time. Emergency 600-hour employment can be handled without formal documentation as it does not appear to be an area of great abuse and it is not expected that relaxation will lead to abuse. Persons electing to take optional benefits shall have an additional 60 days to make an election, allowing 90 days for the retiring employe to make his decision. In the past, a determination had to be made within 30 days. The bill clarifies circumstances under which a death benefit payment can be made. It allows a person at retirement up to 60 days to decide whether his participation in the variable annuity account shall be continued into retirement, and more time is allowed for the employe to decide whether he wants to return to a fixed annuity or continue with the variable annuity system. Existing provisions requiring that stated amounts of interest and other income be credited to reserves for pension accounts and annuities are deleted, and in the future it will allow the Board to determine the amounts of such income credits based upon periodic actuarial investigations. The Board has actually credited earnings far in excess of the presently stated amounts to reserves during recent years. It was felt, however, that credits to reserves are of such importance that the statute should require the Board to report rates selected for posting income credits to reserves and make full disclosure to the Legislature on such rates in connection with future or proposed retirement benefits.

Senator Heard moved that Senate Bill 808 be amended as set out on the printed agenda. Motion carried unanimously.

Senator Heard moved that Senate Bill 808 be reported out "Do pass as amended." Motion carried unanimously on roll call vote.

Senate Bill 411--Relating to public employes' retirement; amending ORS 237.003, 237.060, 237.071 and others; and declaring an emergency.

Senator Heard reported that this bill, as amended by the Salary Subcommittee, is the major public employes retirement package proposed for approval by the 1973 Legislature. In this bill are combined improvements in benefits for employes who have yet to retire and for persons who have retired previously.

Senator Heard moved that Senate Bill 411 be amended as set out on the printed agenda. Motion carried unanimously.

Senator Heard moved that Senate Bill 411 be reported out "Do pass as amended." Motion carried, with Senator Fadeley not present for roll call vote.

57th LEGISLATIVE ASSEMBLY - 1973

JOINT WAYS AND MEANS COMMITTEE

Record of Subcommittee Proceedings

*Conflict with
SB #11 - taken
care of in that
bill*

Bill No: SB 808

Agency Name or Bill Description: Changes title of executive secretary of
Public Employees' Retirement Board to director.

Analysts: Legislative Fiscal _____ Executive _____

Date of Hearing

Comments and Action

6-14-73

*Jim McGoffin - for
Chalmers Jones - for
Don Skelton - proposes amendments
to include Community Colleges
for PERS.*

6-26-73

*Committee supports bill
Amended & sent out*

Subcommittee Chairman _____

Designated to Carry: House LANG Senate HEARD Full Com. HEARD

The bill clarifies circumstances under which death benefit payment can be made under the provision allowing for payment within 120 days after termination. It allows a person at retirement up to 60 days in which to decide whether his participation in the variable annuity account shall be continued into retirement. This allows more time for the employe to decide whether or not he wants to return to a fixed annuity or to continue with the variable annuity system.

The bill deletes existing provisions requiring that stated amounts of interest and other income be credited to reserves for pension accounts and annuities. In the future it will allow the Board to determine the amounts of such income credits based upon periodic actuarial investigations. The Board has actually credited earnings far in excess of the presently stated amounts to reserves during recent years. The Salary Subcommittee felt, however, that credits to reserves are of such importance that the statute should require the Board to report the rates which it selects for posting income credits to reserves to the Legislature and that it make full disclosure to the Legislature on such rates in connection with any matters relating to future or proposed retirement benefits.

COATES, HERFURTH & ENGLAND
CONSULTING ACTUARIES
320 CALIFORNIA STREET
SAN FRANCISCO 94104
TELEPHONE (415) 433-4440

June 15, 1973

Mr. James L. McGoffin, Director
Oregon Public Employes Retirement System
1400 S.W. 5th Avenue
Portland, Oregon 97201

Dear Jim:

This will confirm information given to Mike Matich this afternoon in regard to the Community College District.

Mike indicated that the Community College District wanted to have itself classified as a separate employer, separate and apart from the rest of the School Districts of Oregon. This desire was because the College District felt that its rate of contribution would be reduced if this were done.

It is our feeling that it is more likely that if the Community College District is separated and viewed as a single employer unit, separate and apart from the rest of the School Districts, that its contribution rate will likely increase rather than reduce. This will likely be so for the following reasons:

1. If the percentage of lunchroom attendants and janitors, etc. is less in the Community College District than in the general School Districts, this should increase the employer contribution rate.
2. Generally the salary of these persons would be higher than those of the, say, high school districts, and this would also tend to increase the contribution rate by the employer.
3. Generally speaking, the age of the Community College District membership would be older than that of the other School Districts, and this would also increase the employer contribution rate.

We feel, therefore, that the above would indicate that it would be more likely that the employer contribution rate would increase if the Community College District were to go off by itself than to decrease.

Yours very truly,

COATES, HERFURTH & ENGLAND
Consulting Actuaries

By Robert D. Drisko
Robert D. Drisko

SB 808

SUMMARY OF PROPOSED 1973 CHANGES TO THE PUBLIC EMPLOYEES RETIREMENT LAW (Agency Housekeeping Bill)

1. Amend the law, changing Executive Secretary to Director.
2. Amend ORS 237.011 to clarify that in order to qualify for membership, a six-months probationary period must be served which is not interrupted by an absence from employment for 30 consecutive working days. *Earlier to get out look at Sec. 2. word total.*
3. Amend ORS 237.111 (1) (2) to permit any member who terminates his employment to obtain a refund of account balance regardless of age or length of service. This amendment would no longer justify the existence of ORS 237.115 and 237.151 which should be repealed. *Earlier to get out. Is that desirable.*
4. Amend ORS 237.111 (3) to extend the right of members to reinstate and repay former withdrawn accounts, -from six months to one year. *Effect on others who have gotten out.*
5. Amend ORS 237.143 (1); to delete the requirement of an employers, a) written statement, b) Retirement Board approval and c) written confirmation of the 600 hour annuitant emergency employment provision. This costly procedure is not producing any significant result. *Are these emergencies real?*
6. Amend ORS 237.155 and ORS 237.197 to extend the period during which a retirant can elect an optional form of settlement, from 30 to 90 days, both fixed formula and variable programs. *Why not say 90 days instead of "within 60 days after date"*
7. Amend ORS 237.165 (5) to conform to a 1969 legislative enactment which discontinued the distribution of "partial-month-entitlements" to heirs of deceased members. Payment upon death of a member is now only through the last day of the month preceding the month in which he expires. This 1973 amendment would now allow the same method of distribution at the death of a secondary beneficiary, selected under Options 2 or 3; -an oversight not considered in 1969. *retiree allowed normally because due*
8. Amend ORS 237.169 (1) to clarify the additional death benefit payable, when a member dies within 120 days after separation from service. The current language would tend to confuse the right of entitlement. The 120 day limitation should "run" from the date of termination, regardless of cause of death within that period.

Housekeeping Bill

(2)

9. Amend ORS 237.251 (3) (e); to authorize the Retirement Board to fix the maximum salary of the Director.

10. Amend ORS 237.281 (2); to permit the Retirement Board, after periodic actuarial evaluations, to set the proper rate of interest to be credited to retirement reserves.

11. Amend ORS 237.620 (2); to clarify that only "eligible" police and fire employees, or those whose position requires 600 or more work hours per year, will establish membership and, in all instances, only upon the completion of the required six months' probationary period. ~~XXXXXXXXXX~~

12. Amend ORS 237.640 (1); to clarify the original intent of the legislature and provide a survivor benefit for the spouse or child of a member who, at the time of death, was receiving either a) a service retirement allowance; or b) a disability allowance. ~~XXXXXXXXXX~~ OK

Additionally, we anticipate revising the Application for Service Retirement Benefits Form RS-M2 to include (A) (B) (C) (D) designations for the four plans available, and will include additional explanatory language in the revision of the next employee pamphlet.

1201 NE Court St.
Salem, Oregon
June 14, 1973

Actually now involved

TESTIMONY OF THE OREGON COMMUNITY COLLEGE ASSOCIATION
ON SENATE BILL 808

Mr. Chairman, members of the committee, my name is Don Shelton, representing the Oregon Community College Association.

From the inception of the community college program to 1971 community college employes were covered under Chapter 237 and various statutes thereunder, through ORS 341.295, a reference law that stated that in "area education districts" all laws governing "school districts" applied unless inconsistent.

With the enactment of a separate community college code, Chapter 513, O.L. 1971, the redefinition of "area education districts" to "community college districts," and the repeal of ORS 341.295, the reference law, Chapter 237 is now silent on employes of community college districts.

The only reference since 1971 is in ORS 341.290 "Board Powers" (1) Subject to ORS chapter 237, employ administrative officers, professional personnel, define duties ...

Enclosed are amendments to Senate Bill 808 to redress this drafting omission.

Your kind consideration will be appreciated.

I will try to respond to any question concerning the amendments.

These are unnecessary

** This really includes separate rating language. They prob think rate would go down - BUT IT WOULD GO UP.*

AMENDMENTS TO SENATE BILL 808

On page 2 of the printed bill, in line 3, after "237.025," insert "237.071, 237.081," and after "237.111," insert "237.129," and after "237.143," insert "243.147,".

In line 5, after "ORS" insert "237.017,".

On page 3, in line 29, after "chapter," insert "all community college districts,".

On page 4, in line 10, after "district" insert "or a community college district".

In line 18, after "district" insert "or community college district".

In line 20, after "district" insert "or community college district".

On page 5, in line 31 after "district" insert "or a community college district".

On page 9, after line 13, insert: "Section 4. ORS 237.071 is amended to read: (1) Each employe who is a member of the system shall contribute to the fund and there shall be withheld from his salary:

(a) If his salary for a month is less than \$500, four percent of that salary.

(b) If his salary for a month is \$500 or more and less than \$1,000, five percent of that salary.

(c) If his salary for a month is \$1,000 or more and less than \$1,500, six percent of that salary.

(d) If his salary for a month is \$1,500 or more, seven percent of that salary.

-2-

(2) The contributions of each employe as provided in subsection (1) of this section shall be deducted by his employer from each payroll and transmitted by his employer to the board, which shall cause them to be credited to his account in the fund. Salary shall be considered earned in the month in which it is paid. The date inscribed on the paycheck or warrant shall be considered as the pay date, regardless of when the salary is actually delivered to the employe.

(3) Notwithstanding subsection (2) of this section, for the purpose of computing the percentage of salary to be withheld from a school district employe, a community college district employe or an employe of the State Board of Higher Education under subsection (1) of this section whose salary is based on an annual agreement, the agreed annual salary of the employe shall be divided into 12 equal instalments. Each instalment shall be considered as earned and paid in separate, consecutive months, commencing with the first month that payment is actually made under terms of the salary agreement.

(4) An employe who is concurrently employed by more than one participating public employer, and who is a member of or entitled to membership in the system, shall make contributions to the fund on the basis of salary paid by each employer as though he is not paid by any other employer.

(5) (a) A police officer or fireman who is a member of the system may elect to make additional contributions to the fund to purchase increased benefits between the date of retirement and age 65. The rate of additional contribution shall be determined by the actuary, dependent upon the age of the police officer or fireman at the date of election, so as to provide monthly payments on the basis of \$10 per unit of benefits purchased. No police officer or fireman may elect to purchase more than eight units. For each \$10 unit purchased by the police officer or fireman, the employer shall purchase an equal \$10 unit. If a police officer or fireman is retained until age 65, he shall receive a lump sum refund of the additional contri-

-3-

contributions by the employer for such units. If a police officer or fireman retires after 60 but prior to age 65, his units purchased by additional contributions shall provide increased monthly benefits based on life expectancy, but the matching units purchased by the employer shall not, regardless of age, exceed \$10 per month per unit purchased by the police officer or fireman. If a police officer or fireman is absent from the employment of a participating employer for any reason and because of such absence is unable to make monthly additional contributions, the benefits provided under this subsection shall be actuarially reduced upon the retirement of the police officer or fireman.

(b) Any police officer or fireman who elects to make additional contributions to purchase increased benefits may elect at any time before termination to cancel such election, and upon such cancellation shall withdraw all additional contributions made. Having once canceled such election, no police officer or fireman shall be again permitted to make additional contributions.

(c) If a police officer or fireman who has elected to make additional contributions under this subsection transfers to employment in which he is not entitled to make such additional contributions, he may retain his account established under paragraph (a) of this subsection for five years immediately following such transfer by not requesting a withdrawal. If, at the end of the five-year period, he has not reached age 55, or has not returned to employment which entitles him to make additional contributions under this subsection, his election shall be canceled and the amount of account established under paragraph (a) of this subsection shall be refunded to him.

(d) Any election to make additional contributions under this subsection and any cancellation of such election shall be submitted to the employer and to the board in writing.

Section 5. ORS 237.081 is amended to read: (1) A public employer which is a member of the system shall, at intervals designated by the board, transmit to it such amounts as are actuarially computed to be necessary as determined by the board, to adequately provide the benefits to be provided by the contributions of the employer under ORS 237.001 to 237.315, including such amounts as are actuarially determined to be necessary to amortize within not less than 30 years after December 31, 1968, all liabilities estimated by the actuary to accrue to the system on account of the pensions to be provided by the contributions of the employer, except as otherwise provided in this section. For the purpose of such actuarial computation only [,]: (a) The [the] school districts of the state shall be regarded as constituting one employer. (b) The community college districts of the state shall be regarded as constituting one employer.

(2) In addition each such employer shall transmit to the board, at intervals which it designates, such amounts as are actuarially determined, on the basis of an amount per month equal to \$6 for each year of prior service or major fraction thereof for a period not exceeding 20 years for employees who last retired prior to April 8, 1953, and prior to becoming eligible for participation in the Old Age, Survivors and Disability Insurance program and on the basis of an amount per month equal to \$4 for each year of prior service or major fraction thereof for a period not exceeding 20 years for all other employees, except as provided in subsection (4) of this section, to be necessary to amortize within not less than 30 years after the employer commences participating in the system or after December 31, 1968, whichever occurs last, all liabilities estimated by the actuary to accrue to the system on account of service by the employer's employees prior to the time it commences participating in the system and all prior service pension included in retirement allowances shall be computed on the basis hereby established; provided, however,

that a political subdivision other than a school district may elect not to alter the basis of \$2.50 or \$4 per month established by its agreement made when it began to participate in the system established by chapter 401, Oregon Laws 1945, as amended. The 1961 amendment to this subsection does not apply with respect to employes receiving prior service pension on the basis of \$6 per month for each year of prior service credit allowed under the amendment to this subsection by section 3, chapter 623, Oregon Laws 1959.

(3) A political subdivision which had withdrawn prior to January 1, 1956, from the Public Employes' Retirement System may elect to increase the benefits payable for prior service to it from \$2.50 to \$4 per month for each year of prior service allowed; provided, that the administrative head of the withdrawn employer enters into an agreement with the Public Employes' Retirement Board, binding such political subdivision to (a) transmit to the board, as hereinabove provided, payments including the cost of increased benefits, (b) pay for such increase of benefits for all its current employes with prior service credit who have maintained membership in the Public Employes' Retirement System and for all its past employes who have maintained such membership and who have prior service credit for service to such withdrawn public employer, and (c) pay for such increase of benefits for all annuitants who on the effective date of the agreement are receiving payment for prior service to such employer, the increase to be effective from and after the date of executing the agreement. An agreement so executed shall be irrevocable by the political subdivision, which shall be liable thereon and subject to legal action therefor by the board until all obligations of such agreement are fully discharged.

(4) Subject to the rules of the board and except as ORS 237.001 to 237.315 otherwise provide, credit shall be granted:

(a) An employe of the state who is a member of the system for his continuous service, for a period not exceeding 20 years, to the state prior to July 1, 1946.

-6-

(b) A school district or a community college district employe who is a member of the system for his continuous service to all school districts, or community college districts of the state as provided in subsection (6) of this section.

(c) An employe of a public employer other than the state, a community college district or a school district who is a member of the system for his continuous service, on the basis of the formula agreed upon as provided in this subsection, to that public employer prior to the time it commences to participate in the system.

Within 60 days after his employer becomes a participant in the system the board shall issue the member entitled to such credit a certificate of the aggregate of such credit to which he is entitled. The certificate shall be final unless the board, for cause upon his or its own motion, modifies the certificate. The board may arrange with a political subdivision other than a school district, or with an agency created by two or more such political subdivisions to provide themselves governmental services, for determining, on the basis of a formula agreed upon by the board and the governing body of the subdivision or agency, the years of credit which an employe of the subdivision or agency is to receive for service to it prior to the time that it commences to participate in the system, without limitation as to the number of years of such prior service, and any such employe may be given credit for accumulated seasonal employment for such subdivision or agency if he has become a regular employe thereof. The amendments to this subsection and to subsection (5) of this section by section 5, chapter 640, Oregon Laws 1969, shall be deemed to have been in effect since the inception of the system.

(5) When the formula referred to in subsection (4) of this section has been agreed upon and the years of prior service credit have been determined, a political subdivision or agency created by two or more political subdivisions to provide themselves governmental services which desires to increase such credit to its employes may apply to the retirement board for a revision of the formula within the limita-

-7-

tions of ORS 237.001 to 237.315. If the board agrees to such revision, the cost incurred in reviewing the records of such employer's employes and making any actuarial computation required to effect an increase of prior service credit shall be borne by the political subdivision or agency.

(6) Each school district employe or community college district employe who is a member of the system shall be granted full credit, for a period not exceeding 20 years, for his continuous service to all school districts and community college districts of the state prior to July 1, 1946. Each school district and each community college district shall transmit to the board, at intervals which it designates, such amounts as are actuarially determined, on the basis stated in subsection (2) of this section, to be necessary to amortize, within not less than 30 years after December 31, 1968, all liabilities estimated by the actuary to accrue to the system on account of service by school district or community college district employes prior to July 1, 1946.

On page 9, line 14, delete "4" and insert "6".

In line 31 after "district" insert "or a community college district".

On page 10, line 1, after "districts" insert "or by all community college districts".

On page 10, after line 30 insert: Section 7. ORS 237.129 is amended to read:

(1) A police officer or fireman who is a member of the system and who has attained the age of 60 years shall be retired from service and thereafter, except as ORS 237.001 to 237.315 otherwise provide, the date of his retirement shall be the first day of the calendar month next succeeding the one in which he attains that age.

(2) Any school district employe, community college district employe or any dean, assistant dean, professor, assistant professor, associate professor, instructor, associate instructor, assistant instructor or associate employed by the State Board of Higher Education who is a member of the system and who has attained the age of 65 years shall be retired from service at the end of the school year in which he

-8-

attains the age of 65 years and thereafter, except as ORS 237.001 to 237.315 otherwise provide, the date of his retirement shall be the first day of the next succeeding school year.

(3) Except as otherwise provided in subsections (1) and (2) of this section, any employe who is a member of the system and who has attained the age of 65 years shall be retired from service and thereafter, except as ORS 237.001 to 237.315 otherwise provide, the date of his retirement shall be the first day of the calendar month next succeeding the one in which he attains that age.

On page 10, in line 31, delete "5" and insert "8".

On page 11, after line 11, insert: Section 9. ORS 237.147 is amended to read: Upon retiring from service on account of superannuation at compulsory retirement age a person who is a member of the system shall receive a service retirement allowance which shall consist of the following annuity and pensions:

(1) A refund annuity which shall be the actuarial equivalent of his accumulated contributions and interest thereon credited to him at the time he retires, which annuity shall provide an allowance payable during his life and at his death a lump sum equal in amount to the difference between his accumulated contributions at the time of his retirement and the sum of the annuity payments actually made to him during his life shall be paid to such person, if any, as he nominates by written designation duly acknowledged and filed with the board or shall otherwise be paid according to the provisions of ORS 237.001 to 237.315 for disposal of an amount credited to a member in his account at the time of his death in the event that he designates no beneficiary to receive the amount or that no such beneficiary is able to receive the amount.

(2) (a) A life pension (nonrefund) provided by the contributions of his employers, which pension, subject to paragraph (b) of this subsection, shall be:

(A) For service as a police officer or fireman, 1.15 percent of his final aver-

-9-

age salary multiplied by the number of years of his membership in the system as a police officer or fireman before he reaches the age of compulsory retirement for a police officer or fireman.

(B) For service as other than a police officer or fireman, .84 percent of his final average salary multiplied by the number of years of his membership in the system as other than a police officer or fireman before he reaches the age of compulsory retirement for other than a police officer or fireman.

(b) A pension under this subsection shall be at least the actuarial equivalent of the annuity provided by the accumulated contributions of the person.

(c) As used in this subsection, "number of years of his membership" means the number of full years plus any remaining fraction of a year. In determining a remaining fraction a full month shall be considered as one-twelfth of a year and a major fraction of a month shall be considered as a full month. Membership of a school district employe, a community college district employe, an employe of the State Board of Higher Education engaged in teaching or other school activity at an institution of higher education or an employe of the Corrections Division, the Mental Health Division or the State Board of Education engaged in teaching or other school activity at an institution supervised by the board or division for all portions of school years in a calendar year in which the district school, institution of higher education or school activity at an institution listed in ORS 179.321 in which he is employed is normally in session shall be considered as a full year of membership. The number of years of membership of an employe who received a refund of his contributions as provided in subsection (2) of ORS 237.976 is limited to the number of years after the day before the date on which he received the refund. The number of years of membership of an employe who is separated, for any reason other than death or disability, from all service entitling him to membership in the system, who withdraws the amount credited to his account in the fund during his absence

-10-

from such service and who thereafter reenters the service of an employer participating in the system but does not repay the amount so withdrawn as provided in ORS 237.001 to 237.315, is limited to the number of years after the day before the date of so reentering.

(3) An additional life pension (nonrefund) for prior service, including military service, credited to him at the time he first becomes a member of the system, as elsewhere provided by the prior service contributions of his employer or, in case he is an employe of a school district or a community college district, by a uniform rate of contribution by all school districts or by all community college districts.

On page 11, in line 12, delete "6" and insert "10".

In line 33 after "district" insert "or a community college district" and after districts" insert "or by all community college districts".

On page 12, in line 21, delete "7" and insert "11".

On page 14 in line 29, delete "8" and insert "12".

On page 15, in line 23, delete "9" and insert "13".

On page 19, in line 26, delete "10" and insert "14".

On page 20, in line 27, delete "11" and insert "15".

On page 21, in line 5, delete "12" and insert "16".

On page 22, in line 23, delete "13" and insert "17".

On page 23, in line 27, delete "14" and insert "18".

On page 24, in line 32, delete "15" and insert "19".

On page 25, in line 21, delete "16" and insert "20".

On page 26, in line 14, delete "17" and insert "21".

In line 31, delete "18" and insert "22".

On page 27, in line 6, delete "19" and insert "23".

Insert after line 10:

SECTION 24. Nothing in this act amending ORS chapter 237 is

-11-

intended to convey that employes of community college districts
were not members of the Public Employes' Retirement System from
the period commencing September 9, 1971 to the effective date of
this Act.

In line 11, delete "20" and insert "25" and after "ORS" insert "237.017,".

In line 12, delete "21" and insert "26".



PUBLIC EMPLOYES RETIREMENT SYSTEM

1400 S.W. 5TH AVENUE • PORTLAND, OREGON • 97201 • Phone (503) 229-5824

TOM McCALL
GOVERNOR

JAMES L. McGOFFIN
Director

June 18, 1973

To: W. R. Barrows, Deputy Fiscal Officer
Legislative Fiscal Committee

From: Michael S. Matich, Deputy Director
Public Employes Retirement System

Confirming our telephone conversation of Friday Afternoon,
I enclose a copy of our actuary's comments of June 15
regarding the amendments to Senate Bill 808 requested
by Don Shelton at the hearing last Thursday evening.

MSM:ls

Enclosure

SENATE BILL 808

Certain parts of this bill relate to minor housekeeping issues within the Public Employes Retirement Board, and other parts relate to administrative matters having some degree of policy significance. The ~~sub~~committee reviewed the original bill in considerable depth and deleted a number of the proposals because of their policy implications. Among those elements which were not approved was the proposal that the Board have exclusive authority to set the salary of its executive secretary.

As amended, the bill will allow a withdrawn member returning to service within five years the opportunity to restore his membership in PERS during the first full year of his re-employment. At the present time, an employe must reinstate within six months, which has frequently been regarded as constituting inadequate time. The bill provides that emergency 600-hour employment of persons who have retired previously can be handled without the extremely formal documentation regarding the emergency that has been necessary in the past. This does not appear to have been an area of great abuse, and it is not expected that the relaxation in documenting the emergency will lead to any abuse of the privilege. The bill provides that persons electing to take optional benefits at the time of retirement shall have an additional 60 days in which to make their election concerning the option to be chosen. This will allow 90 days during which the retiring employe can make this important decision. In the past, this determination had to be made within 30 days.

Legislative Counsel
June 27, 1973

PROPOSED AMENDMENTS TO SENATE BILL 808

On page 2 of the printed bill, line 2, delete "237.011,".

In line 3, delete "237.025" and in the same line delete "237.165," and in the same line delete "237.251,".

In line 4, after "237.640" delete the comma and insert "and" and in the same line delete "and 292.750".

In line 5, delete "repealing ORS 237.115 and 237.151;".

On page 3, delete lines 20 through 34 and insert:

"Note: Sections 2 and 3 were deleted by amendment.".

Delete pages 4 through 8.

On page 9, delete lines 1 through 13.

In line 17, restore "and who has not".

In line 18, restore "attained his earliest retirement age,".

On page 10, line 5, restore "and has not attained his earliest service retirement age,".

In line 17, restore "If such employe".

Restore lines 18 through 23.

On page 12, delete lines 21 through 32 and insert:

"Note: Section 7 was deleted by amendment.".

Delete page 13.

On page 14, delete lines 1 through 28.

On page 19, delete lines 26 through 33 and insert:

"Note: Section 10 was deleted by amendment."

On page 20, delete lines 1 through 26.

On page 23, line 9, after the period insert "The rates at which interest and other income are to be credited to reserves shall be reported by the board to the Legislative Assembly and disclosed when any legislative committee conducts a hearing on any action, proposal or testimony from the board or its employes regarding benefits ^ron the financing of benefits provided or to be provided under the Public Employes' Retirement System."

On page 27, delete lines 6 through 11.

In line 12, delete "21" and insert "19".

OREGON LEGISLATIVE ASSEMBLY—1973 REGULAR SESSION

Senate Bill 808

Sponsored by Senators HOYT, J. BURNS, Representative ELLIOTT
(at the request of the Public Employes' Retirement Board)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Changes title of executive secretary of Public Employes' Retirement Board to director. Permits member of system who terminates employment to withdraw his account balance. Extends period for repaying withdrawn accounts to one year. Authorizes board to fix salary of director and to set rate of interest to be credited to retirement reserves. Makes other changes.

Declares emergency. Takes effect July 1, 1973.

NOTE: Matter in **bold face** in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted; complete new sections begin with **SECTION**.

A BILL FOR AN ACT

1
 2 Relating to retirement for public employes; amending ORS 1.355, ~~237.011,~~
 3 ~~237.025,~~ 237.111, 237.143, 237.155, ~~237.165,~~ 237.169, 237.197, ~~237.251,~~ 237.259,
 4 237.271, 237.281, 237.414, 237.500, 237.620, 237.640, ^{and} 237.956 and ~~202.750;~~
 5 ~~repealing ORS 237.115 and 237.151;~~ and declaring an emergency.

6 **Be It Enacted by the People of the State of Oregon:**

7 Section 1. ORS 1.355 is amended to read:

8 1.355. (1) The Judges' Retirement Fund hereby is declared to be a
 9 trust fund for the uses and purposes set forth in ORS 1.310 to 1.380, and
 10 for no other use or purpose, except that this provision shall not be deemed
 11 to amend or impair the force or effect of any law of this state specifically
 12 authorizing the investment of moneys from the fund. For all purposes the
 13 Public Employes' Retirement Board established by ORS 237.251 hereby
 14 is declared to be the trustee of the fund.

15 (2) The State of Oregon has no proprietary interest in the fund or
 16 in the contributions made to the fund by the state. The state disclaims
 17 any right to reclaim such contributions and waives any right of reclama-
 18 tion it may have in such fund.

19 (3) The Public Employes' Retirement Board may accept gifts of money
 20 or other property from any source, given for the uses and purposes of
 21 the fund. Money so received shall be paid into the fund. Money or other
 22 property so received shall be used for the purposes for which received.
 23 Unless otherwise prescribed by the source from which the money or other
 24 property is received, such money shall be considered as income of the
 25 fund and such other property shall be retained, managed and disposed
 26 as are investments of the fund.

27 (4) All moneys paid into the fund shall be deposited with the State
 28 Treasurer, who shall be custodian of the fund and pay all warrants drawn
 29 on it in compliance with law. No such warrant shall be paid until the
 30 claim for which it is drawn is first approved by the [executive secretary]
 31 director of the Public Employes' Retirement Board and otherwise audited
 32 and verified as required by law; provided, that the Public Employes' Re-
 33 tirement Board may direct that the [executive secretary] director each
 34 month prepare, certify and transmit to the Secretary of State a roll of

[3]

SB 808

1 retirement and pension benefits, showing the names of the various bene-
2 ficiaries and the amount due to each of them for the month; and the
3 Secretary of State hereby is authorized and directed to audit such roll
4 duly certified by the [executive secretary] director and to draw his war-
5 rant on the State Treasurer for the aggregate amount thereof, payable to
6 the [executive secretary] director of the Public Employees' Retirement
7 Board, who immediately shall pay over the money thereby received to
8 the several beneficiaries thereto entitled as certified in such roll. In
9 the absence of the [executive secretary] director, these duties may be per-
10 formed by his assistant designated by the Public Employees' Retirement
11 Board.

12 (5) All assets of the Judges' Retirement Fund hereby are transferred
13 to the Public Employees' Retirement Board.

14 (6) The Public Employees' Retirement Board shall keep a separate
15 account for the assets and prorated earnings of the Judges' Retirement
16 Fund, and for investment purposes the moneys in the Judges' Retirement
17 Fund shall be comingled with those of the Public Employees' Retire-
18 ment Fund and shall be invested in the same manner as moneys of the
19 Public Employees' Retirement Fund are invested.

20 ~~Section 2. ORS 237.011 is amended to read:~~

21 237.011. No person may become a member of the system unless he is
22 in the service of a public employer and has completed six months' serv-
23 ice uninterrupted by a total of more than 30 consecutive working days
24 during the six months' period. Every employe of a participating employer
25 shall become a member of the system at the beginning of his first full
26 pay period following the six months' period. All public employers par-
27 ticipating in the Public Employees' Retirement System established by
28 chapter 401, Oregon Laws 1945, as amended, at the time of repeal of that
29 chapter, and all school districts of the state, shall participate in, and their
30 employes shall be members of, the system, except as follows:

31 (1) (a) An employe who is a member of, or eligible for membership
32 in, a retirement system established by a public employer prior to April
33 8, 1953, or who is a member of, or eligible to membership in, an association
34 established pursuant to ORS chapter 239, may not become a member of

note: Sections 2 and 3 were deleted by amendment.

1 ~~the system established by this chapter until the previously established~~
2 ~~system or the system of the association is integrated with the system es-~~
3 ~~tablished by this chapter pursuant to the procedure provided by ORS~~
4 ~~237.081. As a member of the system established by this chapter he shall~~
5 ~~receive no credit for service during such time as he heretofore excluded~~
6 ~~or hereafter excludes himself from the previously established system or~~
7 ~~from the association, and shall receive only such credit for service dur-~~
8 ~~ing the time he is a member of the previously established system or of~~
9 ~~the association as the contract of integration provides, except that any~~
10 ~~teacher who has been continuously employed by a school district of this~~
11 ~~state from July 1, 1929, to July 1, 1951, in which an association has been~~
12 ~~established pursuant to ORS chapter 239, and who has not been a member~~
13 ~~of such association at any time from July 1, 1929, to September 1, 1953,~~
14 ~~shall receive credit for prior service as provided by ORS 237.081 upon~~
15 ~~payment prior to December 1, 1953, to the board by such teacher of such~~
16 ~~contributions as would have been deducted from his salary from July 1,~~
17 ~~1946, to the date of becoming a member of this system if he had become~~
18 ~~a member of this system on July 1, 1946, and the school district by which~~
19 ~~said teacher is employed shall transmit to the board, at such time as the~~
20 ~~board designates, such sums as the school district would have been re-~~
21 ~~quired to transmit under the provisions of ORS 237.081 if such teacher had~~
22 ~~become a member of this system on July 1, 1946, and, upon such pay-~~
23 ~~ments, such teacher shall be deemed to have been a member of the sys-~~
24 ~~tem established by this chapter for the purposes of ORS 237.001 to 237.315~~
25 ~~continuously from July 1, 1946.~~

26 (b) Notwithstanding paragraph (a) of this subsection, an employe
27 who is a member of, or eligible for membership in, an association estab-
28 lished pursuant to ORS chapter 239 shall become a member of the system
29 established by this chapter if he has separated, for any reason other
30 than death or disability, from all service entitling him to membership in
31 the system of the association; but he shall receive no credit under ORS
32 237.001 to 237.315 for service during the time he is a member of, or eligible
33 ~~for membership in, the system of the association.~~

~~1 (c) Notwithstanding paragraph (a) of this subsection, an employe
 2 who is a member of a retirement system established by a public employer
 3 prior to April 8, 1953, shall become a member of the system established
 4 by this chapter if he has separated from all service entitling him to mem-
 5 bership in the retirement system established prior to April 8, 1953; but
 6 he shall receive no credit under ORS 237.001 to 237.315 for service during
 7 the time he is a member of, or eligible for membership in, the retire-
 8 ment system established prior to April 8, 1953. Furthermore, if the em-
 9 ploye has been separated for disability from service entitling him to
 10 membership in a retirement system established prior to April 8, 1953,
 11 and is receiving a disability benefit under such retirement system at the
 12 time he becomes a member of the system established by this chapter he
 13 shall not receive any benefit under ORS 237.001 to 237.315 for such dis-
 14 ability.~~

15 (2) Any member of the Public Employees' Retirement System who,
 16 through the annexation of a political subdivision employing him or by
 17 change of employment, becomes the employe of another political subdivi-
 18 sion which is participating in the Public Employees' Retirement System
 19 and has also a separate retirement system for its employes, shall re-
 20 main a member of the Public Employees' Retirement System unless, within
 21 60 days after the effective date of the annexation or change of em-
 22 ployment or April 8, 1953, he shall by written notice to the Public Em-
 23 ployes' Retirement Board and to the administrative body of his new
 24 public employer elect to relinquish membership in the Public Employees'
 25 Retirement System and become a member of the separate retirement
 26 system of his employer, if eligible for membership in that retirement
 27 system, and he shall be so carried by his new employer. Immediately upon
 28 such annexation of any political subdivision or such change of employ-
 29 ment, the new public employer shall inform such employe in writing of
 30 his right to exercise an election as in this section provided.

31 (3) A political subdivision (other than a school district) not partici-
 32 pating in the retirement system established by chapter 401, Oregon Laws
 33 1945, as amended, which employs one or more employes, each of whose
 34 ~~position requires 600 hours of service per year, or an agency created by~~

28

~~1 two or more political subdivisions to provide themselves governmental
2 services, which employs one or more employes, each of whose position
3 requires 600 hours of service per year, may, through its governing body,
4 notify the board in writing, that it elects to include its employes in the
5 system hereby established. Such public employer may request the board
6 to make a study and estimate of the cost of including it and its eligible
7 employes, other than volunteer fire fighters, in the system, which the
8 board thereupon shall cause to be made and the cost of which the em-
9 ployer shall bear. Upon completion of the study and estimate the em-
10 ployer may apply for admission to the system, whereupon it shall begin to
11 participate therein and its eligible employes other than volunteer fire
12 fighters shall become members of the system. If the employer is an agen-
13 cy created by two or more political subdivisions to provide themselves
14 governmental services and ceases thereafter to transmit to the board
15 current service contributions for any of its eligible employes, the benefits
16 based upon employer current service contributions to which such em-
17 ployes would otherwise be entitled shall be reduced accordingly.~~

18 (4) Except as subsection (7) of this section provides otherwise with
19 reference to volunteer fire fighters, no employe whose position with one
20 public employer or concurrent positions with two or more public em-
21 ployers normally require less than 600 hours of service per year may be-
22 come a member of the system.

23 (5) No inmate of a state institution and no person enrolled full time
24 in a state institution principally for purposes of training, even though he
25 received compensation for services performed for the institution, may
26 become a member of the system.

27 (6) If he has not reached the age of 65 years, a person holding an
28 elective office or an appointive office with a fixed term or an office as
29 head of a department to which he is appointed by the Governor may
30 become a member of the system by giving the board written notice of
31 his desire to do so within 30 days after he takes the office or, in the event
32 that he is not eligible to become a member of the system at the time he
33 takes the office, within 30 days after he becomes so eligible. Member

[7]

SB 808

~~1 ship so established shall not be discontinued during the appointive or
2 elective term of the officer except upon his separation from service.~~

3 (7) A public employer employing volunteer fire fighters may apply
4 to the board at any time for them to become members of the system.
5 Upon receiving the application the board shall fix a wage at which, for
6 purposes of ORS 237.001 to 237.315 only, they shall be considered to be
7 employed and which shall be the basis for computing the amounts of
8 the contributions which they pay into, and of the benefits which they
9 and their beneficiaries receive from, the fund; and if the wage so fixed
10 is satisfactory to the employer, shall include the fire fighters in the system.

11 (8) (a) In the event that an employe enters the service of a public
12 employer which is participating in or later begins to participate in the
13 system and in the event that at the time he enters that service or at the
14 time that the employer begins to participate in the system he has com-
15 menced to purchaase and is continuing to purchase a retirement annuity,
16 if the employer deems the annuity adequate for the purposes of ORS
17 237.001 to 237.315 it may enter into an agreement with him and the board
18 pursuant to which he may be exempted from contributing to the Public
19 Employees' Retirement Fund, and, if no public funds are being used to
20 purchase the annuity or a corresponding pension, the employer, in lieu
21 of the contributions which it otherwise would make to the fund on his
22 account, may make contributions toward the cost of purchasing the an-
23 nuity. Such employe otherwise shall be subject to the provisions of ORS
24 237.001 to 237.315, except that neither he nor any person claiming under
25 him shall receive any payments from the retirement fund as service or dis-
26 ability allowance.

27 (b) An employe who enters into an agreement under paragraph (a)
28 of this subsection may elect at any time thereafter to start to participate
29 in the system by giving written notice of his desire to participate to the
30 board and to his employer. The employe shall receive no credit in the
31 system for any service rendered to his employer during the period dur-
32 ing which he was exempted from contributing to the fund under the
33 agreement, but the employe shall be considered to have completed the
34 ~~six months' service required for membership in the system. When the~~

1 ~~employee starts to participate in the system his employer shall start to~~
2 ~~contribute to the fund on his account in the same manner as the employer~~
3 ~~contributes on the account of other employees who are members of the~~
4 ~~system and his employer shall stop making contributions toward the~~
5 ~~cost of purchasing the retirement annuity.~~

6 (9) (a) All new appointees in the Federal Cooperative Extension
7 Service or in any other service in which participation in the Federal Civil
8 Service retirement program is mandatory, who receive a federal appoint-
9 ment on or after July 1, 1955, may participate in the Public Employees'
10 Retirement System only by giving written notice of their election to so
11 participate to the Public Employees' Retirement Board within six months
12 after the effective date of their appointment.

13 (b) All persons employed by the Federal Cooperative Extension Serv-
14 ice or by any other service in which participation in the Federal Civil
15 Service retirement program is mandatory, who are under federal appoint-
16 ment as of July 1, 1955, and who are members of the state retirement sys-
17 tem, shall continue such membership unless, prior to February 1, 1956,
18 they give written notice to the Public Employees' Retirement Board of
19 their desire to cancel their membership.

20 (c) Any person who is a member of the Public Employees' Retirement
21 System, who, on or after July 1, 1955, is employed by the Federal Coop-
22 erative Extension Service or by any other service in which participation
23 in the Federal Civil Service retirement program is mandatory, and who
24 is given a federal appointment, shall continue such membership in the
25 Public Employees' Retirement System unless, within six months after the
26 effective date of the appointment, he gives written notice to the Public
27 Employees' Retirement Board of his desire to cancel his membership.

28 (d) A cancellation of membership under paragraph (b) or (c)
29 of this subsection terminates membership in the Public Employees' Re-
30 tirement System and cancels the right to any benefits from, or claims
31 against, that system. Such cancellation prevents the withdrawing mem-
32 ber from claiming thereafter any credit for any service performed before
33 the cancellation. ~~Upon receipt of a notice of cancellation, the Public~~

1 ~~Employees' Retirement Board shall refund to the withdrawing member,~~
2 regardless of his age, his account balance in the retirement fund.

3 Section 3. ORS 237.025 is amended to read:

4 237.025. Any deputy district attorney receiving any part of his com-
5 pensation from the state or from a county participating in the Public
6 Employees' Retirement System shall establish membership in the system
7 after service for six months without having been absent 30 consecutive
8 working days. Contributions by any such deputy district attorney shall
9 be due from salary paid him by the state, by a county participating in
10 the system or by both. The application of ORS 237.001 to 237.315 to any
11 such deputy district attorney made prior to the effective date of this sec-
12 tion by the Public Employees' Retirement Board hereby is confirmed and
13 ratified.

14 Section 4. ORS 237.111 is amended to read:

15 237.111. (1) In the event that an employe who is a member of the
16 system, who has made contributions to the fund during each of five
17 calendar years as established by ORS 237.001 to 237.315, *and who has not*
18 *attained his earliest retirement age,* is separated, for any reason other *restore*
19 than death or disability, from all service entitling him to membership
20 in the system, his account shall remain to his credit in the fund unless
21 he elects to withdraw it and there shall be paid such death benefits as
22 ORS 237.001 to 237.315 provide; or a disability retirement allowance or,
23 after attaining his earliest retirement age, a service retirement allowance,
24 either of which shall consist of:

25 (a) An annuity which shall be the actuarial equivalent of his accumu-
26 lated contributions and interest thereon credited to him;

27 (b) A pension provided by the contributions of his employers as pro-
28 vided in subsection (2) of ORS 237.147, but actuarially reduced and com-
29 puted on his then attained age; and

30 (c) An additional life pension (nonrefund) for prior service, including
31 military service, credited to him at the time he first becomes a member
32 of the system, as elsewhere provided in ORS 237.001 to 237.315, which
33 pension shall be provided by the prior service contributions of his em-
34 ployer or, in case he is an employe of a school district, by a uniform rate

1 of contribution by all school districts; except that an employe who is
2 entitled to benefits under ORS 1.310 to 1.380 shall not also be entitled to
3 the prior service pension provided by this paragraph.

4 (2) In the event that an employe who is a member of the system
note 5 ~~{~~and has not attained his earliest service retirement age,~~}~~ is separated,
6 for any reason other than death or disability, from all service entitling
7 him to membership in the system, he may withdraw from the fund the
8 amount credited to him in his account; provided that the notice of separa-
9 tion, withdrawal request, and notice of employment, if applicable, shall
10 be transmitted forthwith to the Public Employes' Retirement System by
11 the employer or employe, and the Public Employes' Retirement System
12 may deny or shall recover such withdrawal in favor of the employe un-
13 less the employe continues to remain absent from the payroll of any par-
14 ticipating employer for a calendar month following the month in which
15 he separates from service. Such withdrawal shall cancel all membership
16 rights in the Public Employes' Retirement System, including the right to
17 claim credit for any employments prior to withdrawal. ~~{~~*If such employe*
18 *has contributed to the fund in each of 10 calendar years and terminates*
19 *before reaching earliest retirement age, he may, within one year of the*
note 20 *date of termination, but in no event after reaching earliest retirement age,*
21 *elect to withdraw his account balance in the fund. Failing to make such*
22 *election, there shall be paid the benefits or retirement allowances de-*
23 *scribed in subsection (1) of this section.*~~}~~

24 (3) Whenever, within five years after he is separated from all service
25 entitling him to membership in the system, an employe who has with-
26 drawn the amount credited to him reenters the service of an employer
27 participating in the system, his rights in the system which were forfeited
28 by the withdrawal shall be restored upon his repaying to the board within
29 [six months] one year after reentering the service of his employer, the
30 full amount so withdrawn.

31 Section 5. ORS 237.143 is amended to read:

32 237.143. (1) Subject to the limitation in subsection (2) of this section,
33 any public employer may employ any person receiving a service retire-
34 ment allowance, if the administrative head of such employer [*files with*

[11]

SB 808

1 the retirement board prior to the first payment in each calendar year to
2 such person for services performed after retirement a statement showing
3 to the satisfaction of the retirement board that an emergency existed
4 during the time of such employment and] is satisfied that such employ-
5 ment [was] is in the public interest.

6 (2) The period or periods of employment by one or more public em-
7 ployers of any person receiving a service retirement allowance shall not
8 exceed 600 hours in any calendar year.

9 (3) [Emergency] Employment under subsection (1) of this section
10 shall not affect the status of any such person as a recipient of retirement
11 benefits under ORS 237.001 to 237.315.

12 Section 6. ORS 237.155 is amended to read:

13 237.155. (1) At any time after establishing membership, but [before
14 the first payment on account of his] within 60 days after the date the
15 service retirement allowance becomes normally due, a person who is a
16 member of the system may elect to convert the allowance described by
17 ORS 237.147 as payable on his account after his retirement into a service
18 retirement annuity of equivalent actuarial value of one of the optional
19 forms named below. The election of Option 2 or 3 shall be effective im-
20 mediately upon the member's retirement.

21

22 Option 1. (a) A life annuity (nonrefund) payable during the mem-
23 ber's life only, which shall be the actuarial equivalent of his accumulated
24 contributions and interest thereon credited to him at the time he retires
25 (if death occurs before the first payment is due, the account shall be
26 treated as though death had occurred before retirement); (b) a life
27 pension (nonrefund) provided by the contributions of his employers as
28 provided in subsection (2) of ORS 237.147; (c) an additional nonrefund
29 pension for prior service, including military service, credited to him at
30 the time he first becomes a member of the system, as elsewhere provided
31 in ORS 237.001 to 237.315 which pension shall be provided by the prior
32 service contributions of his employer or, in case he is an employe of a
33 school district, by a uniform rate of contribution by all school districts; or

34

Option 2. A reduced service retirement allowance payable during his

1 life, with the provision that it shall continue after his death for the life
 2 of the beneficiary he nominates by written designation duly acknowledged
 3 and filed with the board at the time of election, should the beneficiary
 4 survive him; or

5

6 Option 3. A reduced service retirement allowance payable during his
 7 life, with the provision that it continue after his death at one-half the
 8 rate paid to him and be paid for the life of the beneficiary which he
 9 nominates by written designation duly acknowledged and filed with the
 10 board at the time of retirement, should the beneficiary survive him.

11 (2) The designation of a beneficiary or the election of an option may
 12 be changed by the member at any time before payment of the first bene-
 13 fit check is normally due.

14 (3) The obligation for payment of any benefit in force prior to April 8,
 15 1953, shall not hereby be altered. However, the beneficiary of a retired
 16 member who prior to July 1, 1953, elected an option but died prior to the
 17 effective date of such election, shall have a right to repay, before December
 18 31, 1953, the amount of the lump sum refund made in lieu of the monthly
 19 life benefit elected and receive payment of such benefit, computed as of the
 20 date of the member's death and payable from such date.

21 ~~Section 7. ORS 237.165 is amended to read:~~

22 237.165. (1) In the event that a person who is a member of the system
 23 dies before retiring, the amount of money credited at the time of his death
 24 to his account in the fund shall be paid to the beneficiaries whom he desig-
 25 nates. For this purpose he may designate as a beneficiary any person or
 26 the executor or administrator of his estate or a trustee named by him to
 27 execute an express trust in regard to such amount.

28 (2) In the event that a person who is a member of the system dies
 29 before retiring and has not designated a beneficiary under subsection (1)
 30 of this section, the amount of money credited at the time of his death to
 31 his account in the fund shall be paid directly without probate to the sur-
 32 ~~viving next of kin of the deceased or the guardian of the survivor's estate,~~

Note: Section 7 was deleted by amendment.

1 ~~share and share alike, payment to be made to survivors in the following~~
2 groups in the order listed:

- 3 (a) Husband or wife, or
- 4 (b) Children, or
- 5 (c) Father and mother, or
- 6 (d) Grandchildren, or
- 7 (e) Brothers and sisters, or
- 8 (f) Nieces and nephews.

9 No payment shall be made to persons included in any of these groups
10 should there be living at the date of payment persons in any of the groups
11 preceding it as listed. Payment to the persons in any group, upon receipt
12 from them of an affidavit upon a form supplied by the board, that there
13 are no living individuals in a group preceding it, that the estate of the
14 deceased will not be probated and that the amount of money, to the full
15 extent thereof if necessary, will be used to pay the expenses of last illness
16 and funeral of the deceased, shall completely discharge the board and sys-
17 tem on account of the death.

18 (3) If the beneficiary designated under subsection (1) of this section
19 is the spouse of the member, such spouse may elect to receive the amount
20 payable in actuarially determined monthly payments for the life of such
21 spouse.

22 (4) In the event that a person who is a member of the system dies before
23 retiring, has not designated a beneficiary under subsection (1) of this sec-
24 tion, has no surviving next of kin referred to in subsection (2) of this
25 section and his estate will not be probated, the amount of money credited
26 at the time of his death to his account in the fund shall be paid directly
27 without probate for the following purposes in the order listed:

- 28 (a) Expenses of the funeral of the deceased.
- 29 (b) Medical expenses of the last illness of the deceased.
- 30 (c) Hospital expenses of the last illness of the deceased.

31

32 Claims for payment of expenses under this subsection shall be filed with
33 the board within six months after the date of death of the deceased. If no
34 ~~claims are filed within the six-month period, the amount shall be credited~~

1 ~~to the fund as are employer contributions. If a balance of the amount re-~~
2 mains after payment of valid claims filed within the six-month period, the
3 balance shall be credited to the fund as are employer contributions. Pay-
4 ments under this subsection shall completely discharge the board and
5 system on account of the death.

6 (5) Accrued benefits due a retired member at the time of his death are
7 payable to his administrator or executor. If his estate will not be probated,
8 they may be paid to his designated beneficiary or, upon receipt by the board
9 of the affidavit referred to in subsection (2) of this section, to his next of
10 kin in the order listed in subsection (2) of this section. If his estate will not
11 be probated and if there is no beneficiary or next of kin, accrued benefits or
12 a balance due under a refund annuity option shall be paid or credited for
13 the purposes and in the manner provided in subsection (3) of this section.
14 For the purpose of determining accrued benefits due a retired member at
15 the time of his death, accrued benefits are considered to have ceased as of
16 the last day of the month preceding the month in which the retired member
17 dies; but if Option 2 or Option 3 under ORS 237.155 has been elected as
18 provided in ORS 237.001 to 237.315 and the beneficiary survives the retired
19 member, the benefits to the beneficiary shall commence as of the first day
20 of the month in which the retired member dies, and payment of benefits
21 under Option 2 or Option 3 shall cease as of the last day of the month pre-
22 ceding the month [with a payment for the full month] in which the bene-
23 ficiary dies.

24 (6) Nothing in ORS 237.001 to 237.315 shall be construed to prevent the
25 Public Employees' Retirement Board from crediting interest earnings to the
26 account of a deceased member whose beneficiary is a minor, until such time
27 as the beneficiary attains majority, or until a legal guardian for him has
28 been named, whichever is sooner.

29 Section 8. ORS 237.169 is amended to read:

30 237.169. (1) In addition to any other benefits under ORS 237.001 to
31 237.315, a death benefit, provided by current service contributions of the
32 public employer under ORS 237.081, shall be paid to the beneficiaries desig-
33 nated under subsection (1) of ORS 237.165 of a person who is a member of
34 the system and who either is employed in the service of a public employer

[15]

SB 808

1 which is a member of the system on the date of his death or dies as a result
2 of injuries received while employed in the service of the public employer
3 or dies within 120 days after termination [*from covered service because of*
4 *illness*] **from services** .

5 (2) The death benefit referred to in subsection (1) of this section shall
6 be an amount equal to the member's account balance at the time of his
7 death.

8 (3) In the event that a beneficiary has not been named as provided in
9 subsection (1) of this section and subsection (1) of ORS 237.165, the death
10 benefit referred to in subsection (1) of this section shall be paid to the same
11 person or persons and in the same manner as provided for payment of
12 money credited to his account in subsection (2) of ORS 237.165.

13 (4) In the event that a beneficiary has not been designated and the
14 deceased member has no surviving next of kin referred to in subsection (2)
15 of ORS 237.165, the death benefit referred to in subsection (1) of this
16 section shall be used for the same purpose and in the same manner as
17 provided for the use of money credited to his account in subsection (3) of
18 ORS 237.165.

19 (5) If the beneficiary designatd under subsection (1) of this section and
20 subsection (1) of ORS 237.165 is the spouse of the member, such spouse may
21 elect to receive the amount payable in actuarially determined monthly pay-
22 ments for the life of such spouse.

23 Section 9. ORS 237.197 is amended to read:

24 237.197. (1) The purpose of this section is to establish a well bal-
25 anced, broadly diversified investment program for certain contributions and
26 portions of account balances of employes who are members of the system
27 so as to provide retirement benefits for those employes that will fluctuate
28 as the value and earnings of the investments vary in relation to changes in
29 the general economy. It is anticipated that investment of those contribu-
30 tions and portions of account balances in equities will result in the accumu-
31 lation of larger deposit reserves for those employes during their working
32 years, tend to preserve the purchasing power of those reserves and the
33 retirement benefits provided thereby and afford better protection in periods
34 of economic inflation.

1 (2) There is established in the Public Employees' Retirement Fund a
2 separate account to be known as the Variable Annuity Account.

3 (3) An employe may elect at any time to have 25 percent or 50 percent
4 of his contributions to the fund on and after the effective date of the
5 election paid into the Variable Annuity Account, credited to his account
6 therein and reserved for the purchase of a variable annuity. An employe
7 who has elected to have 25 percent of his contributions so paid, credited and
8 reserved may elect at any time thereafter to have an additional 25 percent
9 of his contributions so paid, credited and reserved. An election shall be in
10 writing on a form furnished by the board and be filed with the board. An
11 election shall be effective on January 1 following the filing thereof.

12 (4) An employe who has elected to have contributions paid into the
13 Variable Annuity Account under subsection (3) of this section may there-
14 after cause his contributions to cease being paid into said account by filing
15 a request in writing on a form furnished by the board and filed with the
16 board. The contributions shall cease being paid into the account after De-
17 cember 31 following the filing thereof. Contributions paid into the account
18 before the effective date of the request for cessation shall remain in the
19 account.

20 (5) (a) An employe who is a member of the system on January 1, 1968,
21 and who thereafter files an election under subsection (3) of this section,
22 may elect at any time to have an amount equal to 10 percent per year, for
23 not more than five years, of the balance of his account in the fund on the
24 effective date of his election filed under subsection (3) of this section, trans-
25 ferred from his account in the fund to the Variable Annuity Account,
26 credited to his account therein and reserved for the purchase of a variable
27 annuity. An election shall be in writing on a form furnished by the board
28 and be filed with the board. An election is final and irrevocable upon the
29 filing thereof. The first transfer pursuant to an election shall be made on
30 July 1 following the filing of the election, but may be made, in the dis-
31 cretion of the board, on an earlier date.

32 (b) If the transfers elected by an employe under this subsection have
33 not been completed at the time of his retirement, a transfer equal to one

1 annual transfer shall be made pursuant to an election by him made and
2 filed as provided in this subsection.

3 (c) No transfer shall be made under this subsection after the first pay-
4 ment on account of the service retirement allowance of the member be-
5 comes normally due.

6 (6) Moneys in the Variable Annuity Account may be invested in invest-
7 ments authorized by law for investment of moneys in the Public Employes'
8 Retirement Fund; but, notwithstanding any other general or specific law,
9 moneys in the account shall be invested primarily in equities, including
10 common stock, securities convertible into common stock, real property and
11 other recognized forms of equities, whether or not subject to indebtedness.
12 Not more than five percent of the amortized value of all the investments
13 of the account and of moneys in the account immediately available for
14 investment may be invested in the obligations of or equities in a single,
15 primary obligor or issuer. A pro rata share of the administrative expenses
16 of the system shall be paid from interest earned by the Variable Annuity
17 Account.

18 (7) (a) Except as provided in subsection (8) of this section, the policy-
19 making investment authority for the Public Employes' Retirement Fund
20 shall enter into contracts with one or more persons whom the authority
21 determines to be qualified, whereby the persons undertake to invest and
22 reinvest moneys in the Variable Annuity Account available for investment
23 and acquire, retain, manage and dispose of investments of the account in
24 accordance with subsections (1) and (6) of this section and to the extent
25 provided in the contracts.

26 (b) Performance of functions under contracts so entered into shall be
27 paid for out of the gross interest or other income of the investments with
28 respect to which the functions are performed, and the net interest or other
29 income of the investments after that payment shall be considered income
30 of the Variable Annuity Account.

31 (c) The policy-making investment authority may require a person con-
32 tracted with to give to the state a fidelity bond in a penal sum as may be
33 fixed by law or, if not so fixed, as may be fixed by the authority, with
34 corporate surety authorized to do business in this state.

1 (d) Contracts so entered into and functions performed thereunder are
2 not subject to the State Merit System Law or ORS 279.710 to 279.746.

3 (e) A person contracted with shall report to the policy-making invest-
4 ment authority as often as the authority may require, but at least annually,
5 the earnings of the moneys invested during the period covered by the
6 report, the capital gains and losses of the account during the period, the
7 changes in the market value of the investments of the account during the
8 period and such other information as the authority may require.

9 (8) The policy-making investment authority for the Public Employes'
10 Retirement Fund, for and on behalf of the Public Employes' Retirement
11 System and Public Employes' Retirement Board, may enter into group
12 annuity contracts with one or more insurance companies authorized to do
13 business in this state. In lieu of any investment of moneys in the Variable
14 Annuity Account as provided in subsections (6) and (7) of this section,
15 the authority may pay, from time to time under contracts so entered into,
16 any moneys in that account available for investment purposes. Contracts
17 so entered into:

18 (a) May provide that annuities purchased thereunder be payable in
19 variable dollar amounts, but if that provision is made, provision also shall
20 be made that a person who is a member of the system and who has an
21 account in the Variable Annuity Account, upon retiring from service and
22 before the first payment on account of his retirement allowance becomes
23 normally due, may elect an option to have the annuities payable to him or
24 his beneficiary in fixed or variable dollar amounts or both.

25 (b) May provide that payment of annuities purchased thereunder may
26 be made by the insurance company directly to persons entitled thereto or
27 to the Variable Annuity Account for payment therefrom to those persons.

28 (c) Are not subject to ORS 279.710 to 279.746.

29 (9) Upon retiring from service [*and before the first payment on account*
30 *of his*] **but within 60 days after the date the service** retirement allowance
31 becomes normally due, a person who is a member of the system and who
32 has an account in the Variable Annuity Account may elect to transfer his
33 account balance in that account to his account in the Public Employes'
34 Retirement Fund, and by that transfer his annuity shall be based on his

1 account balance in the Public Employes Retirement Fund as otherwise
2 provided in ORS 237.001 to 237.315 and he shall not receive a variable an-
3 nuity as provided in this section.

4 (10) When an annuity is payable under ORS 237.001 to 237.315 to a
5 person who is a member of the system and who has an account in the
6 Variable Annuity Account or to a beneficiary of that person, the portion
7 of the annuity payable from the Variable Annuity Account shall be propor-
8 tionately increased or decreased for a calendar year when, as of October 31
9 of the preceding calendar year, the balance of the account of that person
10 in the Variable Annuity Account exceeds or is less than the current value
11 of the annuity by at least two percent thereof, determined in accordance
12 with the rate of interest and approved actuarial tables then in effect.

13 (11) Notwithstanding subsection (10) of this section, the board, in the
14 event of extraordinary fluctuation in the market value of investments of
15 the Variable Annuity Account and in order to avoid substantial inequities,
16 may increase or decrease the portions of annuities paid from the account
17 for periods less than a calendar year and determined as of dates other than
18 October 31.

19 (12) Except as otherwise specifically provided in this section, the rights
20 and benefits under ORS 237.001 to 237.315 of an employe member or retired
21 employe member of the system or of a beneficiary of the member are not
22 affected by this section and the provisions of ORS 237.001 to 237.315 ap-
23 plicable to accounts of employe members and retired employe members of
24 the system in the Public Employes' Retirement Fund are also applicable to
25 such accounts in the Variable Annuity Account.

26 ~~Section 10. ORS 237.251 is amended to read:~~

27 237.251. (1) The governing authority of the system shall be a board of
28 five persons appointed by the Governor and known as the Public Employes'
29 Retirement Board. Except as otherwise provided in ORS 237.255, the term
30 of each appointee shall be four years.

31 (2) The board shall have:

32 (a) The powers and privileges of a corporation, including the right to
33 sue and be sued in its own name as such board, and

Note: Section 10 was deleted by amendment.

1 ~~(b) The power and duty, subject to the limitations of ORS 237.001 to~~
2 ~~237.315, of managing the system.~~

3 (3) The board:

4 (a) Shall, at its first meeting each year, designate one of its members
5 to serve as chairman of the board for the remainder of the year and until
6 his successor is designated and takes that office;

7 (b) Shall arrange for actuarial service for the system;

8 (c) Shall employ [*an executive secretary*] **a director** as hereinafter
9 provided;

10 (d) Shall create such other positions as it deems necessary to sound and
11 economical administration of the system, which positions the [*executive*
12 *secretary*] **director** shall fill by appointment; and

13 (e) Shall, with the approval of the Director of the Executive Depart-
14 ment, and as otherwise provided by law, fix the salaries of all persons em-
15 ployed for purposes of administering the system, **except that the salary of**
16 **the director of the system shall be fixed solely by the board.**

17 (f) Shall publish and distribute to all employer and employe members
18 of the system an annual report including a summary of investments of
19 moneys in the fund, investment earnings, significant legislative or admin-
20 istrative changes in the system and other pertinent information on the
21 operation of the system for the preceding year.

22 (4) The board established by this section shall succeed to all the duties
23 and prerogatives of the Public Employees' Retirement Board created by chap-
24 ter 401, Oregon Laws 1945, in relation to the Public Employees' Retirement
25 Fund, and in addition shall perform all duties required of it by ORS 237.950
26 ~~to 237.980, in regard to moneys payable to or from such fund.~~

27 Section 11. ORS 237.259 is amended to read:

28 237.259. The system shall be administered, subject to the limitations
29 of ORS 237.001 to 237.315 and the budget prescribed by the board, by the
30 [*executive secretary*] **director** provided for by ORS 237.251 and by a staff
31 which the board authorizes and which the [*executive secretary*] **director**
32 appoints. The [*executive secretary*] **director** shall hold that position
33 during the discretion of the board and the members of the staff shall hold
34 their respective positions during the discretion of the [*executive secretary*]

1 **director**. No member of the staff may be removed from it, however, in a
2 manner contrary to the laws of the state regarding civil service. The
3 [*executive secretary*] **director** shall furnish such bond as is required by
4 the board.

5 Section 12. ORS 237.271 is amended to read:

6 237.271. (1) The Public Employes' Retirement Fund hereby is declared
7 to be a trust fund for the uses and purposes set forth in ORS 237.001 to
8 237.315 and 237.950 to 237.980, and for no other use or purpose, except that
9 this provision shall not be deemed to amend or impair the force or effect
10 of any law of this state specifically authorizing the investment of moneys
11 from the fund. Except as otherwise specifically provided by law, the Public
12 Employes' Retirement Board established by ORS 237.251 hereby is declared
13 to be the trustee of the fund.

14 (2) The State of Oregon and other public employers that make contribu-
15 tions to the fund have no proprietary interest in the fund or in the contribu-
16 tions made to the fund by them. The state and other public employers dis-
17 claim any right to reclaim those contributions and waive any right of recla-
18 mation they may have in the fund. This subsection does not prohibit alter-
19 ation or refund of employer contributions if the alteration or refund is auth-
20 orized under ORS 237.001 to 237.315 and is due to erroneous payment or
21 decreased liability for employer contributions under the system.

22 (3) The board may accept gifts of money or other property from any
23 source, given for the uses and purposes of the system. Money so received
24 shall be paid into the fund. Money or other property so received shall be
25 used for the purposes for which received. Unless otherwise prescribed by
26 the source from which the money or other property is received, the money
27 shall be considered as income of the fund and the other property shall be
28 retained, managed and disposed of as are investments of the fund.

29 (4) All moneys paid into the fund shall be deposited with the State
30 Treasurer, who shall be custodian of the fund and pay all warrants drawn
31 on it in compliance with law. No such warrant shall be paid until the claim
32 for which it is drawn is first approved by the [*executive secretary*] **director**
33 and otherwise audited and verified as required by law; provided, that the
34 board may direct that the [*executive secretary*] **director** each month pre-

1 pare, certify and transmit to the Secretary of State a roll of benefits, show-
2 ing the names of the various beneficiaries and the amount due to each of
3 them for the month; and the Secretary of State hereby is authorized and
4 directed to audit such roll duly certified by the [*executive secretary*]
5 **director** and to draw his warrant on the State Treasurer for the aggregate
6 amount thereof, payable to the [*executive secretary*] **director** who im-
7 mediately shall pay over the money thereby received to the several bene-
8 ficiaries thereto entitled as certified in such roll. In the absence of the
9 [*executive secretary*] **director**, these duties may be performed by his
10 assistant designated by the board.

11 (5) Any warrant, check or order for the payment of benefits or re-
12 funds under the system out of the fund issued by the board or by the
13 Secretary of State at the request of the board which is canceled, declared
14 void, abandoned or otherwise made unpayable pursuant to law because
15 it is outstanding and unpaid for a period of more than seven years, may
16 be reissued by the board or by the Secretary of State at the request of
17 the board without bond if the payee is located after such warrant, check
18 or order is canceled, declared void, abandoned or otherwise made unpay-
19 able pursuant to law.

20 (6) The board shall provide for an annual audit of the retirement
21 fund and for an annual report to the members of, and employers partici-
22 pating in, the system.

23 Section 13. ORS 237.281 is amended to read:

24 237.281. (1) At the close of each calendar year, the board shall set
25 aside, out of interest and other income received through investment of
26 the Public Employes' Retirement Fund during the calendar year, such
27 part of the income as the board may deem advisable, not exceeding seven
28 and one-half percent of the combined total of such income, which moneys
29 so segregated shall remain in the fund and constitute therein a reserve
30 account. Such reserve account shall be maintained and used by the board
31 to prevent any deficit of moneys available for the payment of retirement
32 allowances, due to interest fluctuations, changes in mortality rate or,
33 except as provided in subsection (3) or (4) of this section, other unfore-
34 seen contingency.

1 (2) At the close of each calendar year, the board shall set aside, out
2 of interest and other income received during the calendar year, after de-
3 ducting the amounts provided by law and to the extent that such income
4 is available, a sufficient amount to credit [two and one-fourth percent
5 interest] to the reserves for pension accounts and annuities [established
6 before January 1, 1968, and three and one-fourth percent interest to the
7 reserves for pension accounts and annuities established on and after Jan-
8 uary 1, 1968; but] varying percentage amounts adopted by the board as
9 a result of periodic actuarial investigations. If total income available for
10 distribution exceeds those percentages of the total accumulated contri-
11 butions of employes and employers, the reserves for pensions and annui-
12 ties shall participate in such excess.

13 (3) The board may set aside, out of interest and other income re-
14 ceived through investment of the fund, such part of the income as the
15 board considers necessary, which moneys so segregated shall remain in
16 the fund and constitute one or more reserve accounts. Such reserve ac-
17 counts shall be maintained and used by the board to offset gains and
18 losses of invested capital. The board, from time to time, may cause to
19 be transferred from the reserve account provided for in subsection (1)
20 of this section to a reserve account provided for in this subsection such
21 amount as the board determines to be unnecessary for the purposes set
22 forth in subsection (1) of this section and to be necessary for the purposes
23 set forth in this subsection.

24 (4) The board may provide for amortizing gains and losses of invested
25 capital in such instances as the board determines that amortization is pref-
26 erable to a reserve account provided for in subsection (3) of this section.
27 Section 14. ORS 237.414 is amended to read:

28 237.414. (1) The Public Employees' Retirement Board hereby is auth-
29 orized and directed to enter into an agreement or modification of such
30 agreement with the Federal Security Administrator (Secretary of Health,
31 Education and Welfare) on behalf of the State of Oregon, consistent with
32 the terms and provisions of ORS 237.412 to 237.418, for the purpose of ex-
33 tending the benefits of the Federal Old Age and Survivors Insurance
34 system to employes of the state and the political subdivisions which at

5 The rates

at which interest and other income are to be credited to
reserves shall be reported by the board to the Legislative
Assembly and disclosed when any legislative committee con-
ducts a hearing on any action, proposal or testimony from
the board or its employes regarding benefits of the financing
of benefits provided or to be provided under the Public
Employes' Retirement System.

46

1 the time of repeal of chapter 401, Oregon Laws 1945, were participating
2 in the Public Employes' Retirement System established by that chapter.
3 The board may authorize its [*executive secretary*] **director**, on behalf
4 of and in the name of the board, to sign modifications of the agreement
5 including within the agreement legally qualified eligible public agencies.

6 (2) The agreement shall provide benefits for employes whose serv-
7 ices are covered by the agreement (and their dependents and survivors)
8 on the same basis as though such services constituted employment within
9 the meaning of title 2 of the Social Security Act.

10 (3) The duties and obligations of the state and its political subdivisions
11 as employers, in relation to such agreement, shall be as provided by ORS
12 237.420 to 237.520.

13 (4) Such agreement or modification thereof shall be effective with
14 respect to services performed after an effective date specified in such
15 agreement or modification, but in no case prior to January 1, 1951.

16 (5) All services which:

17 (a) Constitute employment within the meaning of title 2 of the So-
18 cial Security Act,

19 (b) Are performed in the employ of the state or a political subdivision
20 or in the employ of an instrumentality of either the state or a political
21 subdivision, or both, and

22 (c) Are covered by a plan which is in conformity with the terms of
23 the agreement and which has been approved by the board, shall be cov-
24 ered by the agreement.

25 (6) The Public Employes' Retirement Board hereby is authorized
26 and directed to include in the agreement for Old Age and Survivors In-
27 surance coverage to be executed by the board with the Federal Security
28 Administrator (Secretary of Health, Education and Welfare) in con-
29 formance with this section, the elective officers of the political subdivi-
30 sions described in subsection (1) of this section, and the elective officers
31 of the State of Oregon, except members of the Legislative Assembly.

32 Section 15. ORS 237.500 is amended to read:

33 237.500. All expenses of the Public Employes' Retirement Board in

1 excess of those paid under subsection (2) of ORS 237.490 incurred in
 2 administering the provisions of ORS 237.410 to 237.520, including such
 3 proportion of the salary of the [executive secretary] director, counsel,
 4 professional consultants and employes of the retirement board, as the
 5 time required of them for the administration of ORS 237.410 to 237.520
 6 shall bear to the time required for the administration of both ORS 237.410
 7 to 237.520 and the public employes retirement law, shall be paid in the
 8 manner provided by law, out of the Social Security Revolving Account.
 9 For such purposes, the board may make monthly withdrawals from said
 10 account in lump sums. The board may, under such rules as it promulgates,
 11 collect from each public agency its respective pro rata share of the ex-
 12 penses incurred in administering ORS 237.410 to 237.520. Each public
 13 agency included in the agreement pursuant to ORS 237.430 is required to
 14 pay its pro rata share of the expenses incurred by the board in adminis-
 15 tering ORS 237.410 to 237.520. In order to facilitate financing the ad-
 16 ministration of the system the board may designate fiscal periods and
 17 may provide that extraordinary expenses incurred during one such period,
 18 such as expenses for equipment, may, for purposes of equitably distribut-
 19 ing part of the burden of the expenses, be apportioned to subsequent fiscal
 20 periods in such manner as to the board seems equitable.

21 Section 16. ORS 237.620 is amended to read:

22 237.620. (1) On or before July 1, 1973, all public employers of police
 23 officers and firemen who are not participants in the Public Employes'
 24 Retirement System shall become participants in the system with respect
 25 to the police officers and firemen employed by them.

26 (2) All police officers and firemen [who are] in the employ of the
 27 public employer on the date the public employer becomes a participant
 28 in the system under subsection (1) of this section shall [become members
 29 of the system on that date. All police officers and firemen subsequently
 30 employed by the public employer shall become members as they become
 31 eligible] **establish membership** under the [provisions] **six-month service**
 32 **requirement** of ORS 237.011.

33 (3) The participation of the public employer in the system under this
 34 section shall apply only to services of its employe police officers and fire-

1 men on and after the effective date of the public employer's participation
2 in the system. However, if it desires to do so the public employer may
3 elect to provide a prior service pension for its police officers and fire-
4 men within the limitations of subsection (2) of ORS 237.081.

5 (4) Notwithstanding subsections (1) and (2) of this section, if a public
6 employer provides retirement benefits to its police officers and firemen
7 which are equal to or better than the benefits which would be provided
8 to them under the system, as determined by the Public Employes' Re-
9 tirement Board, the public employer shall not be required to participate
10 in the system with respect to its police officers and firemen. This exemp-
11 tion shall continue to apply for only as long as the coverage remains sub-
12 stantially unchanged under ORS 237.001 to 237.315 but must be reexam-
13 ined whenever substantial changes are made therein.

14 Section 17. ORS 237.640 is amended to read:

15 237.640. (1) The surviving spouse or child of a police officer or fire-
16 man, who died a member of the Public Employes' Retirement System while
17 retired either for service or [other] disability and while receiving or being
18 entitled to receive a benefit under ORS 237.630 or under ORS 237.001 to
19 237.315, is entitled to a benefit under this section. The benefit shall be
20 equal to 25 percent of the unmodified retirement allowance the police
21 officer or fireman was receiving or was entitled to receive at the time of
22 his death under ORS 237.630 or under ORS 237.001 to 237.315. The benefit
23 authorized by this section is in addition to any other benefit the surviving
24 spouse or child is entitled to and is available to the child until he attains
25 18 years of age.

26 (2) For the purpose of this section, the unmodified retirement allow-
27 ance is that allowance described in ORS 237.147, or if election to receive
28 the benefits authorized under ORS 237.630 has been made, the unmodified
29 retirement allowance is 40 percent of the final average salary as deter-
30 mined on the date of the injury causing disability.

31 Section 18. ORS 237.956 is amended to read:

32 237.956. The board shall employ [an executive secretary] a **director**
33 whose duties shall be as hereinafter provided. All ministerial duties re-
34 quired in the administration of ORS 237.414 and 237.950 to 237.980 shall be

1 performed by the [*executive secretary*] **director** and by employees under
2 his direction. The [*executive secretary*] **director** shall hold his position
3 during the pleasure of the board and shall furnish such bond as required
4 by the board. The board shall also designate an employe to perform duties
5 in the absence of the [*executive secretary*] **director** .

6 ~~Section 19. ORS 292.750 is amended to read:~~

7 292.750. [*Executive Secretary*] **Director** of Public Employes' Retire-
8 ment Board
9 Annual salary \$17,172 to [\$21,936] ~~maximum fixed by the Public Employes'~~
10 **Retirement Board** .

11 ~~SECTION 20. ORS 237.115 and 237.151 are repealed.~~

12 **SECTION 21¹⁹**. This Act being necessary for the immediate preservation
13 of the public peace, health and safety, an emergency is declared to exist,
14 and this Act takes effect July 1, 1973.

