Passage of Senate Bill 822: What Does It Mean?

Senate Bill 822's passage affects the amount of the cost-of-living adjustment (COLA) payable to benefit recipients as of August 1, 2013, and in subsequent years.

The bill also eliminates the tax remedy benefit for recipients who do not pay Oregon state income taxes because they do not reside in Oregon.

The bill does not become law until it is signed by Governor Kitzhaber and filed with the Secretary of State.

COLA provisions

Under SB 822, the COLA payable on August 1, 2013, will be capped at 1.5% for all benefit recipients. This cap is lower than the current 2% maximum cap for COLAs.

The cap on COLA payable August 1, 2014, and beyond will vary based on the amount of the annual benefit. Benefit recipients will receive a 2% increase on their first $20,000 of a benefit, so anyone with an annual benefit that is $20,000 or less will receive a 2% COLA.

The COLA gradually decreases on the amount of an annual benefit above $20,000 beginning with the August 1, 2014 benefit payment:

- 1.5% on a benefit that is between $20,001 and $40,000,
- 1% on a benefit that is from $40,001 to $60,000, and
- 0.25% on all benefits above $60,000.

Benefit recipients whose annual benefit is between $20,000 and $40,000 will receive a COLA of $400 on the first $20,000 plus a 1.5% COLA on the portion of their benefit that is above $20,000.

Benefit recipients whose annual benefit is between $40,000 and $60,000 will receive a COLA of $700 on the first $40,000 plus a 1% COLA on the portion of their benefit above $40,000.

Benefit recipients whose annual benefit is more than $60,000 will receive a COLA of $900 on the first $60,000 plus a 0.25% COLA on the portion of their benefit above $60,000.

If a benefit recipient has been receiving a benefit for less than 12 months on July 1 of any year, the COLA is not pro-rated based on the number of months of retirement but is calculated as if the recipient had been retired for a full year.

Eliminating Tax Remedy Benefit for Benefit Recipients Residing Outside Oregon

This provision eliminates supplemental tax remedy benefits for PERS benefit recipients that do not pay state income taxes in Oregon because they do not reside in Oregon. The supplemental tax remedy payments are only paid to members who began PERS-covered service before July 14, 1995.

People who apply for benefits after the effective date of this bill will need to declare, at the time of application, whether they reside in Oregon and pay Oregon income taxes. For those people already receiving benefits, or who change residence after they apply, PERS will work with the Oregon Department of Revenue to determine which benefit recipients are not subject to Oregon state income tax because they do not reside in Oregon, and eliminate the supplemental tax remedy payments. Eliminating that tax remedy portion of a benefit will be effective the first day of the calendar year after that determination is made.