



FPDR FUNDamentals

*A mini-newsletter for
Fire and Police retirees*

Sept 2011
Volume 12, Issue 2

DIRECTOR'S MESSAGE

My thanks to the members who shared their thoughts with us about how best to communicate with retired members. This is our second mini-issue of FUNDamentals to be included with your pension deposit advices or checks.

PENSION UPDATE

FPDR Two Overpayment Recovery

If you are an FPDR Two ("New Plan") payee and your pension benefits were overpaid due to the miscalculation of additional tax offset benefits, your annual benefit adjustment is being held back until FPDR has fully recovered your overpayment, unless your overpayment is already fully recovered. At the request of members, FPDR has modified the direct deposit advice format to include two new fields at the bottom:

- Total Overpayment to Recover
- Total Recovered to Date

FPDR One ("Old Plan") is the original FPDR plan

FPDR Two ("New Plan") is the plan that started in 1990

Only direct deposit advices have changed; the check stub format is more limited. If you would prefer to have your pension benefits deposited directly in your account, please contact the FPDR office.

The total recovered to date amount on the September 1, 2011 deposit advices represents the amounts recovered for July and August 2011. The total recovered to date amount will continue to increase each month until the recovery of your overpayment is complete. Once the recovery is complete, the two new fields will no longer appear.

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House Bill 2456 Update

On August 2, Governor Kitzhaber signed House Bill 2456 (HB 2456), affecting the additional tax offset benefit calculation for some members who are not yet retired. This new law does NOT affect currently retired members, their survivors or their alternate payees.

Additional Tax Offset Benefits

Additional pension benefits were mandated by the Oregon State Legislature in 1991 and 1995 as a result of the State of Oregon's decision to tax state and local pension benefits. By statute, only members who began their service prior to July 14, 1995 are eligible to receive the offset benefit.

The benefits are a percentage of your base pension that is calculated as the greater of:

- 0% to 4.0%, based on years of creditable service (0-9 years, 0%; 10-19 years, 1.0%, 20-24 years, 2.5%; 25 or more years, 4.0%)
- 9.89% times the proportion of creditable service prior to October 1, 1991

The 9.89% figure is the result of a calculation that is:

$$1 / (1 - 9\% \text{ Oregon personal income tax rate})$$

The greater percentage is multiplied by your base pension amount to get the offset amount.

House Bill 2456

HB 2456 eliminates only the second percentage, the one based on the percentage of service prior to October 1, 1991, for members who are not subject to Oregon state income tax and retire after 2011. The years of service benefit is unchanged.

HB 2456 does not change any of the offset benefits of current retirees, their survivors or their alternate payees.