KEEP OREGON'S
PROMISE

Legislative PERS Cut Bill SB 1049:

Illegal, unfair and breaks promises to public employees

SB 1049 serious legal and fairness issues. SB 1049 requires the same 6% contribution to PERS member's Individual Account Program, but reduces the retirement benefit people will receive. According to Milliman, the actuarial consultant for PERS, here's what employees would lose in their individual account programs.

- Tier 1 employees would see a 7.8% reduction.
- Tier 2 employees would see a 12.5% reduction.
- OPSRP employees would see a 7.1% reduction.

Oregon already has the third most complicated retirement system in the country and SB 1049 will make it even more complicated. Here is a breakdown of the problems with SB 1049:

LEGAL ISSUES

This proposal would send the state into another expensive and lengthy battle at the Oregon Supreme Court. $5 billion had to be repaid after the Moro et. al. v. State of Oregon lawsuit, which was the largest contributor to the UAL in 2014.

1. Per Legislative Counsel analysis, it would be unconstitutional to require current employees to pay for the Unfunded Actuarial Liability, which numerous parts of SB 1049 propose. (LC Opinion Letter, August 31, 2016, p. 9).
2. Even if a bill was drafted to find a loophole to avoid that Constitutional protection for employees, the proposal creates a brand new system that has never been tested in court before. This opens up a brand new opportunity for court challenges.

FAIRNESS ISSUES

This proposal is simply unfair.

1. SB 1049 forces PERS members to still pay the full 6% of their salary, but reduces the dollars going into their individual account program by between .75% and 2.5%. According to PERS actuarial analysis, this will reduce their IAP benefit between 7.1 to 12.5%.
2. Harms public workers. A significant percentage of the public workforce earns less than $60,000 a year, leaving them completely dependent on PERS for any hope of retirement. Since the large 2003 pension cuts, PERS members now contribute 6% of their salary into an individual account program that fluctuates with the market. For retirement security, that full 6% contribution is essential. This proposal will take money out of their already tight budgets and reduce the individual account program they were counting on and were promised.

CREATES NEW PROBLEMS FOR SCHOOLS, PUBLIC EMPLOYERS AND PERS AGENCY

This proposal will drive people out of public service and raise costs.

1. Loss of teachers and other public employees. New teachers in Oregon already make $10,000 less than their counterparts in Washington. They also earn 22% less per week - not per year - than their private sector peers. Teachers are already working second jobs during the school year just to get by and Oregon has seen a 49% loss of college students pursuing education degrees over the past 10 years. Further cuts to retirement benefits and taxes only on teachers and other public employees will force them out of the profession, reduce the quality of candidates, and hurt students.
2. Mass retirements. More than 30% of public employees are eligible to retire today. The last time cuts of this scale were passed, there were a record number of retirements and 4,700 school employees left in 2003 alone. (Oregonian, Dec. 26, 2003). The mass retirements meant school districts, local governments and the state faced workforce shortages. We already have a serious lack of 911 operators, educators, child welfare workers, corrections officers, and other employees. A new benefit tax will make recruitment and retention even harder.
3. Increased costs for employers. With these cuts, employers will have to increase salaries and other benefits to recruit and retain qualified employees and make up for the new benefit tax.
4. Massive administrative costs for PERS to implement. The costs to make these complicated changes will be millions of dollars.

SOLUTIONS

Solutions should focus on the long-term stability of the public workforce and reducing the unfunded liability without adding additional new costs to employers.

The PERS Coalition supports extending the reamortization period to reduce employer costs and SB 1049 should extend the amortization as far as actuarially sound to lower employer rates.

ADDITIONAL SOLUTIONS SHOULD INCLUDE:

1. **SAIF reserves**
   As the Oregonian has reported, $1.4 billion in SAIF reserves could be used for PERS without changing its operating model. Instead of giving out millions in reserves as dividends, these dollars should be used to buy down the unfunded liability.
2. **Maximize real estate holdings**
   According to recommendations by Gov. Brown's 2017 UAL Task Force, there are a number of real property assets held by the state which are no longer in use, or for which there may be a higher value use. More analysis is needed to identify those properties as well as those held by local governments that could be sold to buy down the PERS UAL.
3. **Increased lottery revenue**
   According to Gov. Brown's 2017 UAL Task Force, targeted and expanded lottery offerings would allowed under the law and would assist in buying down the unfunded liability.
4. **Address PERS as part of total compensation rather than an isolated issue**
   Public employees earn less in salaries and benefits are essential for recruitment and retention of a quality workforce.