

Talking points for Dave Johnson before Joint Rules Committee on SB 822

Hello, my name is Dave Johnson. I live in SW Portland, my home for more than 30 years. I am a former board chair of the "I Have a Dream" Foundation of Oregon and a member of STAND for Children

I am testifying in opposition to SB 822. I am also testifying today as a representative of STAND's school finance task force.

I want to start by praising you for putting PERS reform on the agenda for this legislative session. Pension reform is a thorny issue that requires considerable effort, discussion and thought to do what is right for all of Oregon's citizens including retired public employees. So Kudos to all of you for taking on this difficult topic.

STAND's school finance task force was formed last year to get a deeper understanding of issues related to both revenue and spending for Oregon's public schools. Our ten members include parents, teachers, School Board members, and community leaders from across the state. We have spent more than 25 hours in meetings learning about and discussing school finance issues. On the topic of PERS reform we heard from a range of well-informed speakers.

It is the conclusion of our task force that despite the reforms of 1996 and 2003, that significant further PERS reform is needed. We believe that while some benefits are reasonable for the employees and sustainable by the employers others aren't.

It is our conclusion that PERS financial problems have not been caused by the stock market crash. We concluded that the problems are driven by excessive benefit guarantees and lack of fiscal prudence by the legislature and PERS board during the boom years of the 80s & 90s. We urge the legislature to return PERS back to its original intent of providing a reasonable retirement income of 85% of final years pay when combined with Social Security benefits.

Our task force is recommending four specific steps in this legislative session to reform PERS.

1. Cap the annual cost-of-living increase for PERS recipients.
2. Eliminate the Oregon tax reimbursement for out-of-state PERS recipients.
3. Use market rate of return for the money match annuity option instead of the fixed 8%.
4. Redirect employee 6% contributions to the PERS "general fund" instead of individual accounts.

Our task force also believes that it is critical to think long term when proposing reforms for PERS. Yes the next biennium is important, but so are the next ten biennia. So the evaluation of any proposal should not just look at the financial impact for the next biennium, but at the impact for the next 20 years.

SB 822 is unacceptable to the STAND for Children school finance task force. This proposed bill does not include some critically needed reforms and most importantly it dismally fails the 20 year test. SB 822 derives nearly half of its savings for the next biennium simply by deferring \$350 million in payments to future years. If adopted, this would continue the lack of fiscal prudence and discipline that were the original cause of PERS problems. SB 822 does not address many of the issues driving PERS costs through the roof; instead it postpones facing those issues to a future legislative session.

Under no circumstances can we support a proposal that mortgages the future to save some money today.

We strongly urge the legislature to be fiscally responsible and adopt comprehensive PERS reform that will significantly reduce PERS costs for the next 20 years. Please give serious consideration to modifying your proposal to include all 4 recommendations from STAND's school finance task force.

Thank you for your time and your consideration of this input.