

Senate Bill 822

Background and Experience

My name is Glenn Harrison. I live in Albany. For 32 years I was a high school and community college math teacher. I have been retired for nearly 20 years. For 11 1/2 years I served on the PERS Board - from March 1987 through February 1994 and again from October 1999 to June 2003. I have had five governor appointments to the PERS Board. I was the Vice Chair from Jan. 1990 to Feb. 1993 and Chair from Feb. 1993 to Feb. 1994.

First I was appointed by Gov. Neil Goldschmidt to fill a vacancy through June 1987 becoming the first labor representative on the PERS Board. Then I was reappointed for a 3-year term. I was then reappointed by Governor Barbara Roberts in 1990 for a 3-year term that should have ended June 30, 1993 when I retired. But I continued to serve on the PERS Board until a replacement was appointed and confirmed by the Senate in February 1994.

Later I was appointed to the dual position representing both educators and retirees by Governor John Kitzhaber in October 1999 to fill the remainder of a term and reappointed for a June 2000-August 31, 2003 term.

I was on the PERS Insurance Committee - 1988 - Feb. 1994 & Oct. 1999-2002, Chair 2000-03 and the PERS Legislation Committee - 1988-91, 1999-2003. So I have some experience with PERS in the past.

For five years I served on a school board and for nine years I was on the Albany Budget Committee chairing it for six years. So I know the challenges for public employers as well.

Funding

As you know funding for retirement payments come from three sources. Employers pay a share, employees pay a share either directly or through accepting reduced salaries if the employer picks up this 6% portion, and typically the largest portion comes from investment earnings. Each time there are major losses in the market, it can be traced back to greed.

On October 19, 1987 there was Black Monday when the stock market dropped over 20% - the largest one day drop in history. Part of the blame for the 1987 crash was the interplay between stock markets, index options, and futures markets. The market rallied the next two days, but took two years to fully recover.

Then in 2001 the Enron scandal broke and their stock price dropped from \$90 a share to about 26¢. Enron had invented a series of dummy companies where they dumped their losses. Investors including Oregon PERS funds lost billions. Like many other states, Oregon's Attorney General filed a claim in bankruptcy court and did recover a small portion of what had been lost.

In July 2002 WorldCom filed for Chapter 11 bankruptcy and wiped out the investments made by many savvy investors including the Oregon Investment Council. The WorldCom stock value had dropped from \$64.50 a share to 14¢. Their CEO Bernie Ebbers, CFO Scott Sullivan, along with three others went to prison for an \$11 billion fraud, the largest accounting fraud in history.

Then in 2007-08 the Banking and Housing Crash hit and the long period of recession began. Money had been loaned to many people who couldn't afford to pay it back, but had been assured they could. Mortgages were chopped up and combined to make new trillion-dollar derivative investment opportunities for those in the know at the expense of others. Citibank, Goldman Sacks, Morgan Stanley, Lehman Brothers, AIG and others took losses and several reorganized.

Fix the Real Problem

It is time that Oregon, along with others states, and the US government as their Attorney Generals to aggressively seek to recover their lost investment revenue from those who exhibited personal and corporate greed. In Oregon the money recovered should be added to the PERS funds so that employers would have to make up less of the loss and employees and retirees would not suffer losses in the future.

It is also time for some legislators and some newspapers to stop blaming employees and retired employees or the PERS Board for the country's and state's economic problems. SB 822, while well intended, is not the answer. PERS members and retirees should not have to pay for the greed of others.