From: Brewer, Nancy
To: SWF Exhibits
Subject: PERS Bills
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Good afternoon Chair Taylor and Members of the Committee on Workforce,

I have followed the discussions the Senate Committee on Workforce has had this session on PERS reform. You have certainly dug into the issues with gusto, and I applaud and appreciate the work you have taken on. I have been in public finance in Oregon for 26 years, and have spent the past 20+ working on PERS issues. This is clearly a complex issue, and the costs to governments statewide are significant and growing. In my own organization we have been tightening our belts, reducing costs, and eliminating positions as we prepare for the coming rate increases.

Watching videos of your Committee hearings, I believe Mr. Rodeman asked a very pertinent question – what is the problem you are trying to solve?

Most of the "solutions" offered to date seem to try and solve a benefits problem. They reduce benefits for future hires to reduce costs that are really the result of past decisions. So, is the problem that the OPSRP benefit package is "overly rich". I would argue it is not. When the OPSRP plan was adopted there was lengthy discussion about the reduced level of benefits in the new plan; reducing the benefits further by diverting the IAP and/or reducing the final average salary calculations will make the plan so unattractive governments across the state will lose the ability to retain anyone past a training period.

It seems to me that the problem to solve is how to get more assets into the system to offset the benefit costs already incurred, and which Courts have said cannot be reduced. These higher than expected benefits costs are largely the result of past legislative and PERS Board actions, not the result of PERS member actions, and not the result of the OPSRP benefit structure. As a result, the only system modification I consider to be truly beneficial at this point would be to increase payments (assets) to the PERS system. There are a couple of ways this could be accomplished, in addition to higher employer rates:

1. Add a new employee payment that goes into the system to help cover the employee's pension. This would not be a diversion of the IAP, but a brand new contribution. It could be structured as requiring the employee to pay, and not allow an employer pick-up. There is no doubt employees would seek compensation increases to offset this cost, but that would be for each employer to negotiate.

2. Add a new, dedicated revenue statewide. This could be accomplished through the restructuring of the business taxes currently underway, or by implementing a different, new revenue source. One example offered through the general public outreach on PERS was to levy a sales tax to help fund PERS. Another option would be for the State to levy a statewide property tax (which I believe the legislature could do now). This could be structured as a limited duration tax, for example, terminating when either the unfunded liability or the Benefits In Force account at PERS is fully funded.

My final comment is about immediately reducing employer rates based on bills passed this session. Though I certainly recognize the value of reducing the employer rate and the impact on governmental entities' budgets for the coming biennium, the amount of the rate that has already been "collared off" is so high, no rate reduction would really occur. Secondarily, if rates were reduced, it would only put off for 2 years the inevitable rate increase associated with the current unfunded liabilities. The only way to avoid these rate increases is to bring more assets into the system.

Thank you for the opportunity to provide input.

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