Senate and House Republican Offices

Oregon State Capitol
900 Court Street NE, S-323
Salem, Oregon 97301

More Evidence Long-Term PERS Reform Is Needed

The Oregon Public Employee Retirement System's board will meet Friday to consider changes to the system's assumed earnings rate. A rate change would make the underfunded system more financially sound but will also either drastically increase rates to school districts and local governments or demand more borrowing against the future. The Legislature's ineffective action on PERS reform has put pressure on the board to make what changes it can to slow growth of the system's unfunded liability.

1. **Rate Adjustment Could Wipe Out "PERS Lite" UAL Savings**: SB 822 reduced the Unfunded Actuarial Liability by $2.6 billion. PERS estimated in February that lowering the assumed earnings rate from 8 percent to 7.5 percent could increase the UAL by up to $2.7 billion.[1]
2. **Rate Adjustment Will Require Higher Employer Contributions:** PERS also estimated that lowering the assumed earning rate from 8 percent to 7.5 percent could require approximately $276 million in additional employer contributions per year.[2]
3. **If You Loved the "Can Kick" In SB 822, You'll Love The Accounting Gimmick the PERS Board is Considering:** To lessen the impact of the rate reduction, the PERS board is considering a re-amortization of the debt for Tier 1 and Tier 2 employee costs. Basically, they want to extend the life of the payments and increase the debt load on future employers, taxpayers and employees. The result will be higher overall costs due to interest.

Instead of gimmicks to cover the inadequacy of the Democrat's SB 822, let's actually FIX PERS.

---

[1] Oregon Public Employee Retirement System, *Analysis of PERS Cost Allocation, Benefit Modification, and System Financing Concepts* 22 (Feb. 14, 2013), *available at* http://www.oregon.gov/pers/docs/general_information/analysis_of_pers_concepts.pdf.

[2] *Id.*

NOTE: PERS estimates were based on a start date which has already passed and do not reflect the investment earnings from this year. Any board action will not take effect until January 1, 2014.