



HOUSE OF REPRESENTATIVES

May 31, 2019
SB 1049 Vote Explanation

Dear Chief Clerk Sekerak:

Oregon's Public Employees Retirement System (PERS) is facing unprecedented funding shortfalls due to legacy decisions around defined benefit rate calculations as well as historic Wall Street market crashes. In fact, prior to the Great Recession in 2007, PERS was 110 percent funded. Now, local jurisdiction employers are being forced to direct an increasing portion of their budgets to fill the unfunded liability in workers' pensions, leading to painful cuts to teaching positions, school days and other critical services.

Failure to enact SB 1049 would cause local government contribution rates to increase to over 35 cents of every dollar spent. SB 1049 will assist in lowering employer contribution rates and those public employers from needing to reduce staffing levels, vital services or essential programs. Estimates show that Portland Public Schools will see a net cost reduction of \$52 million in the '21-23 biennium alone with enactment of SB 1049. Everyone agrees that the \$26 billion unfunded actuarial liability (UAL) is a fiscal problem of monumental proportions that could cripple our state's budgets and economy. Where we disagree is how to solve the problem.

Public workers did not cause the problem and I did not want to see a solution that requires them to pay for it. I would have preferred to have increased corporate income taxes given economic downturns, dictated by risk-taking Wall Street speculators, caused the housing and stock market crash, precipitating the PERS crisis. The legislature also could have considered to use state surplus State Accident Insurance Fund (SAIF) capital to address the UAL. We also could have considered decreasing the overall program funding requirement and lengthening the amortization rate. While all of these additional options may pose their own risk, they would have avoided touching the expected public employees' retirement returns. Sadly, I was given Hobson's choice—SB 1049 or nothing.

I chose to take affirmative steps to protect public workers from loss of employment due to the inability of public employers to maintain public services and programs.

The Legislature will place at least \$100 million into an employer incentive funds account to encourage local governments to pay down their PERS UAL. I will advocate to direct additional funds into that account before the end of session.

It saddens me to know that we cannot pass an additional revenue bill to address these PERS issues. We do not have the necessary votes to support such efforts and it was made clear by Senate leadership that public workers needed to be part of the solution. I won't pretend that this is a just solution.

This was not an easy vote for me but based on all the factors presented, it was a necessary one to ensure that there would not be future harmful impacts on Oregon's public workforce or services to the public. I look forward to both chambers coming together to restore fairness and to provide additional compensation to workers to offset their redirected contributions.

Andrea Salinas
State Representative