



**HOUSE OF REPRESENTATIVES**

May 31, 2019

**RE: Senate Bill 1049 Vote Explanation**

To the Chief Clerk:

As we know, the costs that public employers must pay into PERS to cover pension debt obligations have nearly doubled in the last 5 years, and are on a wholly unsustainable track.

With this in mind, we know that doing nothing is not an option, especially if we wish to ensure that future state employees also have a fair chance at a meaningful retirement. It is also very important to note that this compromise on PERS reform is directly related to the Student Success Act, which passed only a few weeks ago and includes record investments in education. As a part of the negotiations on that bill, it was understood that a PERS reform bill would soon follow, so that the gains made by the Student Success Act could be preserved, and not be referred to the ballot by Oregon Business and Industry and others in the big-business community. Passing SB 1049 preserves that historic victory, and funds schools at a level we have needed to get to for years.

In order to correct the current track of PERS in the most equitable, systemic, and legally permissible manner, Senate Bill 1049 will do several things: The largest chunk (80%) of the cost savings is created by re-amortizing the current unfunded actuarial liability of PERS, and dedicating 80% of anticipated lottery sports betting revenues to the Employer Incentive Fund. In short, the state will extend the current schedule to pay-off this \$26 billion debt from 20 to 22 years, and use revenue from a soon-to-be established lottery program to offset costs. Current employees will also be required to contribute to their pension: 2.5% for Tier 1 and Tier 2 employees, and .75% for employees hired under the Oregon Public Service Retirement Plan (OPSRP). Those contributions are slated to make up most of the remaining 20% of the cost containment achieved with this bill.

There were many proposals put forth to address this issue, but the current form of SB 1049 was the best compromise that this legislature could realistically achieve. I would have much preferred that the Kicker revenues that the state anticipates receiving be put forward to buy-down PERS debt, rather than shifting some of the burden to current employees. This idea was well-received by many advocates, but unfortunately we were not successful in persuading enough Members to agree.

None of the legally permissible options put forth to solve this issue were desirable, and essentially created a situation of choosing between the lesser of several undesirable choices. Simply said, this was a very difficult bill to support, and considering the whole, it is the best we can do at this moment to avoid insolvency in the system.

  
Representative Tawna Sanchez

