



HOUSE OF REPRESENTATIVES

Vote Explanation – SB 1049

5/31/2019

Dear Chief Clerk Tim Sekerak,

As a Tier I PERS retiree with over 35 years' service as a nurse, pension benefits for public employees are an issue of great personal concern to me. We must honor all contracts made and preserve all benefits already earned in the PERS system. But we also cannot turn a blind eye to the \$26 billion unfunded actuarial liability and the corresponding unsustainable explosion in employer contribution rates.

My vote in favor of SB 1049 was the most difficult decision I've been faced with in the Legislature. Ultimately, I feel this bill is necessary to fill the hole caused by investment losses in the Great Recession. Before the unprecedented private-sector market losses of 2007-2009, Oregon PERS had \$1.10 in assets for every dollar in liabilities. The subprime mortgage meltdown and subsequent international financial crises wiped out that surplus.

Now, our unfunded liability is enormous and growing. As a result, local governments (cities, counties and school districts) must put more and more money toward their PERS obligations instead of providing the critical services and programs Oregonians depend on.

Not passing SB 1049 would have caused local government contribution rates to increase to over 35 cents of every budget dollar next year. SB 1049 will hold down employers' contribution rates and keep public employers from cutting necessary staff, services or programs.

Without clear action, schools around the state will face dire choices and further cuts. On the other hand, initial estimates say the bill will free up more than \$34 million to invest back in classrooms in the Beaverton School District, and over \$51 million for Portland Public Schools.

I would not support this bill if the savings came entirely on the backs of teachers, nurses, and firefighters. Only about 20% of the savings come from future benefit reductions. The bulk of the savings come from refinancing PERS system debt over a longer time horizon.

I have been opposed to other PERS "reform" schemes that violated the constitution and our promises to hardworking public employees. But we have a responsibility to maintain public budgets in a way that allows agencies to provide public services and adequate staffing.

I am encouraged to see that we will be investing at least \$100 million in an employer incentive fund to encourage local governments to make additional investments in paying down their PERS unfunded liabilities. Also, all the proceeds realized by the state in a new sports betting program will be dedicated to the PERS liability.

Further, it is very unfortunate that we cannot pass an additional revenue bill beyond this to address the PERS issue once and for all. Lack of support in the State Senate and credible threats to send new revenue to the ballot corporate-funded ballot measures to overturn such legislation have prevented that from happening, to my great frustration.

This was not an easy vote. I agonized long and hard over the choice. At the end of day, "Yes" was the right choice to make for all Oregonians. It is a necessary but bitter pill we must swallow to avoid more devastating cuts to public workers in coming years.

I remain a strong supporter of public workers and the labor movement more broadly. I look forward to working with my Union brothers and sisters to improve wages, ensure safe working conditions, and maintain the dignity of all labor.

Sheri Schouten

Rep. Sheri Schouten

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