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PERS Board will consider action to steady precarious system

Salem, OR – 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.

A change in the assumed earnings rate by the board would help stabilize a financially unsteady system, but will also increase contributions by school districts and local governments. Employers would be forced to make-up the difference between the now-lower assumed rate of earnings and the fixed amount of guaranteed benefits. The board will also consider re-amortizing the debt for Tier 1 and 2 employee costs, effectively extending the life of the payments and increasing the debt load on future employers and employees in order to keep current contribution rates low.

Republican leaders issued the following statements on Wednesday:

House Republican Leader Mike McLane (R-Powell Butte):

“The PERS board must make some unfortunate choices between keeping the system solvent, trying to keep employer contributions as low as possible or borrowing against the future. The legislature can solve these problems, but until they do the PERS board will continue to plug holes in a ship that continues to take on water.

“The job on PERS reform remains unfinished.”

Senate Republican Leader Ted Ferrioli (R-John Day):

“Because the Governor was unable to negotiate a compromise and the Speaker of the House chose to protect her union base, real PERS reform died in this year’s first legislative session. The ones who will pay the price are students, seniors, those dependent on government services and taxpayers.

“Republicans remain ready to enact broad PERS reforms. We would come into special session tomorrow if it means passing legislation that will give schools relief before the coming school year.

“As Friday’s meeting highlights, the need for holistic PERS reform remains clear. As required employer contributions continue to rise, less is spent on core services, and Oregon continues to lag behind in key performance measures. PERS continues to drain our most important priorities of the resources they need to succeed, and the responsibility to fix the problem rests solely on the shoulders of the legislature.”

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