PERS

Priority

Seek legislation that creates savings, including but not limited to:

- **Addressing Investment Efficiencies.** Oregon spends an inordinate amount of money paying external consultants and risk managers. Bringing those functions in-house could provide an additional $1 billion in fund savings. Further, it reduces the odds of the "de-risking" of the investment portfolio as it would make risk managers accountable to the Oregon Investment Council.

- **Reducing the Annuity Rate.** The annuity or "money match" rate is set at 7.5% as it's linked to the assumed earnings rate. Dropping this rate to 3.5 percent, which would more accurately reflect market conditions, would reduce total liabilities by approximately $1.1 billion according to PERS's actuary.

- **Redirecting Individual Account Plan (IAP) Contributions.** Redirecting IAP contributions into the defined benefit plan would reduce employer rates by 6% of payroll for employers who "pick-up" the required employee contribution and could shorten the duration of the unfunded liability.

- **Devoting Unanticipated Revenues to Employer Rate Relief.** Should any of the ongoing discussions on tax reform result in new or unexpected revenue, the League urges that the Legislature devote those resources to the PERS unfunded liability.

While these listed priorities have been identified as the most likely to provide significant rate relief, the League will be open to other legally defensible options that provide long-term financial stability and sufficient benefit to members.

Background

PERS pays its obligation to retirees through earnings on investments and employer contributions. Those investments lost approximately $17 billion in the market crash of 2008, and efforts to adjust benefits by restricting cost of living adjustments were overturned by the Oregon Supreme Court.

Subsequent to the 2008 losses, earnings have not consistently met expectations, and the longevity of retirees further expanded the deficit between the amount the system owes and assets it utilizes to pay benefits. As a result of these factors, the systems unfunded liability is near $22 billion.

Outcome

The Public Employee Retirement System continues to be in crisis with rate increases set for the 2017-2019, 2019-2021, and 2021-2023 biennia which are likely to reach a system wide average of 30 percent of payroll. This liability will impact service delivery for the next 20 years, if not longer, and must be addressed. The League is proposing several reforms that will address the benefits paid out by the system and the revenue used to fund pension benefits.

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