

From the
Desk of
Senator Tim Knopp

SB 822

Colleagues,

This packet includes letters, statements, emails and opinion pieces from a variety of local officials throughout the state regarding their concerns about their rising costs due to growing PERS obligations and the need to reform the system.

It includes:

- Former State Representative and State Senator Gene Derfler
- Douglas ESD Superintendent George Murdoch
- Roseburg Area Chamber of Commerce President and CEO Debra Fromdahl
- Oakland Public School District Chair Jake Gibbs
- Cottage Grove Mayor Thomas Munroe
- Sutherlin City Councilor Karen Meier
- South Umpqua School District Director of Fiscal Services Chris Davidson
- Medford School District Director Ron Anderson
- Medford School District Director Tricia Prendergast
- Tualatin Mayor Lou Ogden

Please consider the input from these officials when casting your votes on the legislation for PERS reform. They deal directly with the impacts of the current system, which is compromising their ability to provide critical services at the local level.

Please let me know if you need any more information.



From the Desk of Rep. Mike McLane
State Representative
House District 55

A handwritten signature in black ink, appearing to read "Mike McLane".

SB 822

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Everything Oregon

Oregon leaders, we're counting on you to fix PERS this year: Guest opinion

By Guest Columnist[Follow on Twitter](#)

on April 22, 2013 at 5:00 AM, updated April 22, 2013 at 5:07 AM

By Gene Derfler

There comes a time when legislators need to stand up and do the right thing for our state. Oregonians elect their leaders to make tough decisions even when doing so is not popular.

It's called governing.

In the 2013 Legislature, a tough decision must be made: Legislators must show the will to bring the Public Employees Retirement System back in line with the promises made when the system was revised in 1981.

Then, the Legislature set a goal that public retirees would make 50 to 60 percent of what they earned on their last paycheck after 30 years of service. Take a look at the statistics from 2011: Average retirees after 30 years were making 74 percent of their last paycheck, and some were retiring at 140 percent or more of what they had earned.

Some people want to make this issue partisan. It's not. We all share a common goal to provide all the government services we need at a price we can afford. We need to provide adequate resources to educate our kids. We must help those who cannot help themselves. And we must keep our neighborhoods safe.

Some people want to vilify public employees and paint them in a negative light. Let's not. Our public employees provide many of the services that are necessary for the unique quality of life we have here in Oregon. Schoolteachers, doctors, nurses, road crews, field staff, researchers: They are our neighbors, friends, family -- all of whom care about our communities, this state and our future as much as we do.

Governing is not easy.

I'm asking that all 90 legislators come together to make the tough choices on PERS reform and not just kick it to the 2015-17 biennium for another set of 90 to grapple with. School districts, local governments and businesses are counting on this Legislature to get the job done now.

SB 822

Oregon's future depends on it.

For those legislators who are concerned about re-election, remember, good policy makes good politics ... every day of the week. Your constituents will respect you because you made the tough choice because it was the right thing to do. The citizens of this state need you to stop worrying about the 2014 election and do what needs to be done.

I predict that the votes this week in the House on PERS and on tax increases will go down in history. Will it be a story about how the Legislature put the state Public Employees Retirement System back on solid ground? Or will it be a story of how the Legislature, playing 2014 election politics, kicked the decision down the road for someone else to resolve?

There is a great opportunity for this Legislature, particularly its leaders, to step up and do the right thing and adopt a PERS reform package that takes care of the problem once and for all. There is a chance for our governor to be even more visible on this subject and to lead legislators to a compromise that serves all of us.

I am asking that they do what we elected them to do:

Govern.

Gene Derfler served in the Oregon House of Representatives from 1989 to 1995; and in the Oregon Senate from 1995 to 2002, serving as Senate president in the 2001 session. He owned NICO Furniture in Salem for many years. Derfler is retired and lives in West Salem.

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SB 822

George Murdock, Douglas ESD

From: George Murdock [<mailto:George.Murdock@douglasesd.k12.or.us>]
Sent: Monday, March 18, 2013 12:40 PM
To: Rep Hanna
Subject: RE: SB 529A

I can say that PERS is gradually going to bankrupt the 880 or so agencies who are bound to the system. I also reminded her the Legislature approved the payments in the first place and the Legislature has the obligation to correct a situation which is seriously impacting Oregon's children and others who depend upon the state for vital services.

If there was a contract (which I don't believe) to provide a rate of return greater than the market—eight percent—there was never a contract to provide 25 percent when the market fluctuated upward. In fact, based upon the payment of 25 percent when the market was high, that should set a precedent the real desire was to have it be market driven since everyone took the higher rate when it came around.

The Legislators are getting a lot of publicity for saying they are looking at PERS, but I think they need to have their feet held to the fire in terms of actually doing something about it rather than just talking. Unfortunately, too many of Oregon's voters think just hearing that they want to do the right thing constitutes actually doing something.

SB 822



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www.RoseburgAreaChamber.org

COPY

April 1, 2013

The Honorable Margaret Doherty, Chair
House Committee on Business & Labor
Oregon State House of Representatives
900 Court Street, NE
Salem, OR 97301

Re: HB 3056, HB 3057, HB 3058 and HB 3059

Dear Chair Doherty and Members of the Committee,

The Roseburg Area Chamber of Commerce represents 600 Douglas County businesses and organizations employing nearly 17,000 residents. In its 2013-14 Public Affairs & Legislative Agenda, the Roseburg Area Chamber identified the need for PERS reform and committed to supporting reform legislation that is "fair, equitable and sustainable for all Oregonians."

The endless discussions surrounding budget shortfalls for local governments, school districts, special districts and state agencies due to rising costs of Oregon's Public Employees Retirement System should be enough to underscore the dilemma at hand.

As our own Roseburg School District contemplates which one of our nine elementary schools will be closed in advance of the 2013-14 school year, the need for adequate school funding is front and center. And, the need for significant and meaningful PERS reform cannot be questioned.

The Roseburg Area Chamber of Commerce respectfully requests that the House Committee on Business and Labor schedule public hearings and work sessions on HB 3056, HB 3057, HB 3058 and HB 3059 before the April 8 deadline.

Thank you for your time and consideration.

Best regards,

ROSEBURG AREA CHAMBER OF COMMERCE

Debra L. Fromdahl, IOM
President & CEO

VISION To advocate for and be the voice of the business community in the greater Roseburg area.
MISSION To strengthen, enhance and protect our members through political advocacy, economic development, community promotion and member programs and services.



OAKLAND PUBLIC SCHOOLS

2 April 2013

DISTRICT OFFICE

PO Box 390
Oakland, OR 97462
Phone (541) 459-4341
Fax (541) 459-4120

Representative Margaret Doherty
900 Court St. NE, H-282
Salem, OR 97301

SUPERINTENDENT

Nanette Hagen

Representative Doherty:

DEPUTY CLERK

Venice Anderson

The Oakland School District is located in north Douglas County. It is a rural district with a current enrollment of 517 K-12 students. Our 2012-13 operating budget was \$4.863 million in General Fund. We employ 33 certified and 24 classified employees to meet our education objectives. The Board, Administration, and staff utilize these dollars to provide a comprehensive educational experience boasting a full contract calendar including extra-curricular activities such as sports, band, choir, FFA, NHS, and more. For the last several years our staff and students have worked to achieve recognition as Outstanding in achievement at our Elementary and High School. These accomplishments can be attributed to prudent fiscal management by the Board and Administration coupled with the passion and dedication of our talented staff.

**SUPERINTENDENT/
BOARD SECRETARY**

Allyne Gurule

It is our hope to provide the resources our staff needs to continue the tradition of excellence experienced in Oakland. Funding is the most significant limiting factor challenging our district. Our community has stepped up with local bonds as recently as 2009 while State resources continue to be limited. A major financial burden to our district is the PERS costs impacting all public agencies. The Oakland School District will see 2013-14 PERS rates increase over 7% to 26.69%. The District will have to expend General Fund dollars from our budget to meet this obligation reducing resources available to the classroom.

BOARD OF DIRECTORS

Atticus LaMoreaux
Jake Gibbs
Kathryn Goodwin
Betsy Dean
Trisha Barnes

As members of the Oregon School Board Association (OSBA) we support its legislative package and agenda. Additionally, we are aware of several other bills introduced this session addressing PERS. Specifically, HB 3056 focuses on how final average salary is determined; HB 3057 modifies cost-of-living adjustments on the first \$3,000 of monthly salary; HB 3058 discusses the employers "pick up" contribution; and HB 3059 eliminates the tax offset enjoyed by beneficiaries not subject to Oregon income taxes.

OAKLAND HIGH SCHOOL

Jeff Clark, Principal
(541) 459-2597 ext 3
PO Box 479
Oakland, OR 97462

We encourage you to schedule these bills for a hearing in your House Business and Labor Committee. Allowing discussion of the merits of these bills enhances the debate around the financial constraints facing districts like Oakland. Your attention and willingness for further discussion is appreciated.

LINCOLN SCHOOL

Diana Sweeden, Principal
(541) 459-3407 ext 4
PO Box 420
Oakland, OR 97462

Sincerely,

Jake Gibbs
Chair, Board of Education

OAKLAND ELEMENTARY

Nanette Hagen, Principal
(541) 459-2271 ext 5
PO Box 90
Oakland, OR 97462

cc: Representative Tina Kotek
Representative Bruce Hanna

To provide each student a diverse education in a safe, supportive environment that promotes self-discipline, motivation, and excellence in learning.



115 824
Mayor's Office

400 Main Street
Cottage Grove, OR 97424

(541) 942-5501
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March 18, 2012

The Honorable Margaret Doherty
Chair, House Business and Labor
900 Court Street NE, H-282
Salem, OR 97301

Dear Representative Doherty:

As the Mayor of the City of Cottage Grove, I continually hear from the residents within the community the need for local government to control our costs. As a result, the Cottage Grove City Council is very concerned about controlling costs and maintaining a sustainable budget while trying to continue to provide the services that our citizens have come to expect.

Some of the costs we face in our budget are outside our control. One of those costs which we have no control over is the costs associated with the Public Employee Retirement System (PERS). We are mandated to belong to the state established retirement system yet we seem to have little input into how it has been run, modified and expanded over the years. A good retirement system is important to our ability to recruit and maintain valuable employees. However, the system must be sustainable and should not create an undue burden on our ability to fund services to our citizens.

The City of Cottage Grove is very interested in efforts to reduce the impact of double digit increases to cover the PERS liabilities. PERS benefits have become very generous over the years and the costs to fund the system limit our ability to provide services. Many Oregonians hold PERS as the example of waste and why government costs so much. PERS reform will not solve all our financial woes, but it is a major piece of the puzzle and will go a long way to help improve the public's perception of the cost of government services.

My concern is that a number of PERS reform bills have been introduced and none of the bills have been scheduled for a Public Hearing or Worksession. Many of those bills have been assigned to the House Business and Labor Committee. The reforms needed for PERS are complex and will require substantial testimony and discussion. To allow for complete testimony and discussion, the bills need to be scheduled as early as possible so the best and most sustainable reforms can be determined. The discussions regarding possible reforms to PERS are much too important to wait until the hectic hours later in the session.

On behalf of the City of Cottage Grove, I respectfully request that the PERS reform bills assigned to the House Business and Labor Committee be scheduled for Public Hearings and Worksessions as soon as possible.

I appreciate the important work that you do to benefit all the citizens of Oregon. If there is anything I can do to be of assistance, please do not hesitate to contact me.

Sincerely,



Thomas C. Munroe
Mayor

- cc: Speaker Tina Kotek
Representative Bruce Hanna
Representative Brent Barton, Vice-Chair
Representative Bill Kennemer, Vice-Chair
Representative Shemia Fagan
Representative Paul Holvey
Representative Greg Matthews
Representative Kim Thatcher
Representative Jim Thompson
Representative Jim Weidner
Representative Brad Witt

SB 822

From: Karen Meier [kdm@themeiers2.net]
Sent: Wednesday, March 06, 2013 5:45 PM
To: Rep Doherty
Subject: request

Karen Meier, Councilor
City of Sutherlin
126 E. Central Ave.
Sutherlin, OR 97479

The Honorable Margaret Doherty
Chair, House Committee on Business and Labor
900 Court Street NE, H-282
Salem, OR 97301

Representative Doherty,

I am writing in my capacity as a City Councilor in Sutherlin, Oregon. Like most public employers, the City of Sutherlin is working to bootstrap ourselves out of a difficult economy in an environment with high unemployment and few possibilities for new revenue generation. Increases in our PERS rates have been difficult to swallow because they strain our already tight budget. Furthermore, we are aware that a \$14 unfunded liability billion threatens the viability of the entire system.

Along with hundreds of others from cities across Oregon, I participated in City Hall Day at the Capitol last week. During my appointments that day, I was pleased to learn that a package of four PERS reform bills had been introduced by Representative Bruce Hanna. As you may know, Sutherlin is part of his district.

I write to request that you grant a public hearing and work session for HB 3056, HB 3057, HB 3058 and HB 3059. I am impressed with the thought and research that went into putting together a comprehensive policy package on such a difficult issue. I believe that the Legislature must hear these bills to start the conversation on PERS reform. As a public employer, we are simply not in a position to hold fast if the 77th Assembly chooses to defer action on this issue.

Thank you for your service to Oregon and your leadership on the House Committee on Business and Labor.

Sincerely,
Karen Meier
Sutherlin City Councilor

SB 822

From: Chris Davidson
Sent: Wednesday, March 13, 2013 2:38 PM
To: 'rep.margaretdoherty@state.or.us'
Subject: PERS Bills HB 3056, 3057, 3058, 3059

Honorable Representative Doherty:

I write today to request that you allow for a public hearing and take a committee vote on House Bills 3056, 3057, 3058, and 3059, bills dealing with crucial PERS reforms. Reforms of some sort related to PERS are going to be vital to providing school districts and public agencies additional funds that are necessary for those entities to continue their work at or near current levels and will help to stabilize future PERS rates that continue to spiral out of control.

While there are a number of different PERS bills floating around this session, I believe that House Bills 3056, 3057, 3058, and 3059 really provide for cost savings for both the PERS system as a whole and for school districts and public agencies, savings that I believe will withstand legal challenges and bring meaningful, long term reform to a system that is crushing Oregon's ability to provide for its citizens.

The increased mandates from last legislative session regarding school achievement compacts and the 40-40-20 goals make every extra dollar that much more important for schools to help students reach those goals. The elimination of the 6% for employers in House Bill 3058 I estimate would mean \$339,899 in additional funds for my district next year. That's the equivalent of five teaching positions for us. Five teaching positions would go a long ways for our district as we have few elective teachers left at our high school and no elective teachers at our middle school. Our students need and deserve a variety of programs to choose from, programs we just cannot offer under current conditions. I can only imagine what other great things we could do with the savings from the remaining bills I have mentioned.

I hope you will look favorably on my request and schedule public hearings and a committee vote on the aforementioned bills. Thank you for your time and consideration of my request and thank you for your service to our great state.

Sincerely,

Chris Davidson
Director of Fiscal Services
South Umpqua School District
558 SW Chadwick Lane
Myrtle Creek, OR 97457
(541) 863-3115 ext. 1019
(541) 863-5212 Fax

LETTER TO THE EDITOR

PERS REFORM APRIL 10, 2013

I am pleased to see the Legislature move forward on PERS reform this session. I am less pleased with the level of that reform because no one – the Legislature, the Governor, the public employee unions – no one, will pretend this corrects the problem of underfunding. And, no one will pretend PERS is sustainable without major reform.

If the steps in SB 754, which has yet to get a hearing, are too draconian, then reduce the percentages, but don't just ignore reality and hope that the stock market will somehow lessen the drastic public employer increases. Those increases are non-negotiable and must be paid with the result of cutting teachers, school days and all other public services and employees. Plus, increases will continue for several years. The COLA reductions proposed are not cuts, just slightly reduced increases.

The biggest reality ignored in this PERS discussion is that salaries and retirement bonuses created by outside funds laundered through a state agency or university are not government funds providing governmental services. University football is not government work – it is entertainment. I don't care how much coaches get paid (a tight ends coach making three times what the Governor makes), or what it takes to buy out a contract, that is not government work. The inflated salaries are not paid with government funds and should not be included in PERS retirement calculations.

This is a PUBLIC EMPLOYEE retirement system. There is language throughout the enabling legislation (ORS 238+) that describes 'participating public employer' and an 'agency created to provide governmental service'. Salary is described as cash from the funds of a public employer. Specifically excluded are retirement incentives, severance pay, retirement bonuses and retirement gratuitous payments. Simply apply the law.

Other spiking techniques - radically increased overtime during the last three years of employment, or grants to OHSU doctors from drug companies or patents, are equally wrong to include – not illegal – but certainly unethical and should be addressed. Also, a reasonable cap on vacation time used as part of retirement salary computation would be fair. And, cap the amount that a person can earn in retirement.

Guaranteeing eight percent (8%) on the PERS fund, and the money match is, finally, the most ridiculous and unsustainable element. This must be included in any serious reform. My final thought is for Legislators. Do what must be done and let the Supreme Court do their job when it comes time to judge the legislation.

Ron Adams,
1494 Braemar Drive, West Linn, Oregon 97068
503-636-8444

SB 822

Broken PERS system threatens state's fiscal health

By By RON ANDERSEN
April 07, 2013 2:00 AM

As a retired teacher (albeit from our neighboring state to the south), I understand too well the sacrifices teachers make, and why they and many more Oregon public employees are intent on defending the state's Public Employees Retirement System.

But PERS is so flawed and arbitrary that it demands fixing. If we sit by idly or lack the courage to institute real reforms, our PERS debt is piling up so quickly that it threatens to cripple the state's budget, now and for future generations.

Nowhere is this more apparent than in our public school system. This year, Gov. Kitzhaber and leaders of both political parties have agreed that we need to begin reinvesting in a K-12 system that has seen its share of state funding erode from nearly 45 percent in 2003 to about 39 percent today.

Under a proposal by the Ways and Means co-chairs, the state would spend \$1 billion more on education in 2013-15 than was budgeted in the current biennium. Normally that kind of news would have educators jubilant, and in fact there is a sense of relief in many districts that will not be forced to make cuts for the first time in years.

Tempering that relief, however, is the knowledge that across the state, school districts will see PERS costs rise by \$200 million next year unless reforms are enacted. That means that 1 in every 5 new dollars that could be spent on restoring teaching staff or school days will instead be paid to PERS.

Locally, PERS rates for Medford schools rose 35 percent going into the 2011-13 biennium. The district cut 70 full-time positions and reduced employee wages to absorb those and other benefit increases. I'm a director on the Medford School Board, and we expect to spend 25 percent more on PERS rates, or \$6.7 million, over the 2013-15 biennium unless tangible reforms are enacted.

The latest increase is the equivalent of 20 classroom days over the two years, or 90 teaching positions. If we could hire those teachers instead of spending the money on PERS, we expect we could reduce class sizes by five to six students per classroom.

We're far from alone. In Ashland, schools are facing similar percentage increases in PERS costs. Just four years ago, Ashland schools spent 10 percent of their general fund budget on PERS. Without reforms, that figure is projected to rise to 15 percent in 2014-15.

A number of PERS reform proposals are on the table. The most recent one, Senate Bill 822, is being hailed by Democratic leaders as the answer to our PERS problems. As a fiscally conservative Democrat, I'm disappointed in this effort.

Why? Roughly \$350 million of the projected savings in SB 822 stem from simply delaying payments on our PERS debts for 2013-15. This "kicking the can" is not sound public policy — it is a political expedient that saddles our children with our PERS debts. A "breather" helps, but only in the short run, and in no way resolves the underlying issues.

As parents and stewards of Oregon's future, we need to set aside political labels and work together in a meaningful way to help stabilize the state's economic future. Across the state, business organizations,

school boards and youth advocates have formed a coalition seeking a long-term PERS solution.

You can join them, and me, at www.fixpersnow.org. Together we can end a cycle of teacher layoffs, shorter school years and reduced public services. Together we can fix PERS now.

Ron Andersen is a member of the Medford School Board. He taught high school economics, government and social studies for 35 years in Elk Grove and Palo Alto, Calif., before retiring in 1998.

SB 822

Rep McLane

From: Tricia Prendergast <tricia.m.prendergast@gmail.com>
Sent: Sunday, April 07, 2013 1:16 PM
To: Rep Buckley; Rep Richardson; Rep McLane; Sen Bates
Subject: PERS reform

Greetings, Sen. Bates and Reps. Buckley, Richardson, and McLane,

As a 12-year veteran Medford school board member running for a fourth term, I have studied the PERS situation for several years and from numerous points of view. While I greatly appreciate the fine efforts you are all putting forth to reform PERS, I must say that I heartily agree with the opinions expressed in this article in today's Mail Tribune by my school board colleague, Ron Anderson. I, too, am a "fiscally conservative Democrat" and have become even more so in my years on the school board.

This truly is not a time to "walk the fine line." Our students - as well as our teachers who are in the classroom NOW - need to us make the difficult choices on PERS. Please make the hard changes to PERS now, and let the courts decide.

Thanks for all your hard and innovative work for us in Salem!

Blessings,
Tricia Prendergast
Medford School Board members
541-941.2556
tricia.m.prendergast@gmail.com

<http://www.mailtribune.com/apps/pbcs.dll/article?AID=/20130407/OPINION/304070320/-1/OPINION04>

SB 822



CITY OF TUALATIN

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TUALATIN, OREGON 97062
(503) 692-2000
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April 16, 2013

Hon. Julie Parrish
Oregon House of Representatives

RE: Oregon PERS Reform Legislation, SB 754

Dear Representative Parrish,

I am writing you in support of comprehensive PERS reform in Oregon. I am not steeped in the details nor the functional and legal ramifications of the various bills pending in this session directed toward PERS reform. However, in my opinion, meaningful reform which will actually reduce costs to public employers in a substantial manner, is critical to the viability of public services in our state.

Public employees are dedicated people performing honorable work in service to their fellow Oregonians. They include myriad professions and vocations which keep local, county, and state governments providing essential and desired services to all of us citizen taxpayers. Beyond that, our educators are largely responsible for the continuation of society as we know it by preparing our youth to receive the torch for the next generation. I can think of nothing more important and we owe much gratitude to them all.

In order to attract the quality of employees needed in public service, we must pay competitive wages and benefits. We must continue to offer a standard of living that not only attracts but motivates people to pursue careers in public service. However, we must also be responsible in the costs of those compensation plans so that we are able to sustain a viable funding scenario in order to continue to employ quality people.

Our current PERS system, in my opinion, simply is not sustainable, and will eventually be the demise of a viable public employee population. PERS rates cannot continue to rise as they have. A primary driver for that cost escalation is the guaranteed rate of return on the Money Match. I believe that feature must be addressed in order to have any lasting effects of reform. I understand SB 754 in fact does address that issue, as well as COLA caps and other cost containment principles.

I urge you and your fellow legislators to adopt effective PERS reform and SB 754 seems to be the better approach.

Yours truly,

A handwritten signature in black ink, appearing to read "Lou Ogden".

Lou Ogden
Mayor
City of Tualatin