



## ***SB 560 Re-direction of public employee's 6% contributions***

Testimony for Senate Committee on Workforce – 2.13.2017 –Dr. Edith Rusch

Chair Taylor, members of the Senate Committee on Workforce,

Tax Fairness Oregon supports SB 560. After listening to last week's testimony and comparing it to our independent research, we conclude that PERS requires serious attention and challenging changes. We believe that redirecting Tier 1 and Tier 2's 6% employee contribution from IAP to the PERS account is a necessary and reasonable measure for restoring and retaining long term health of a quality pension system.

We also recognize the contentiousness of this conversation. Many TFO volunteers are or have been public employees so we understand the angst of the firefighters who sacrifice off-duty time to attend these long sessions and the teachers who prepare detailed charts to show the retirement consequences of your decisions. We keep hoping they will offer a suggestion for stabilizing PERS.

Shifting future employee contributions will no doubt affect the eventual value of IAP accounts, but these decisions are not just about retirement funds—they are about the working conditions in our public entities and the welfare of our communities. Keeping the status quo will affect class sizes and cause layoffs, will reduce city services and keep our valued public agencies from fulfilling their core missions.

We believe that even with this change, Oregon's benefits for Tiers 1 and 2 will still compare favorably to the benefits available in other states. Retirees will receive their PERS defined benefit, the balance of their current IAP accounts plus investment growth, and Social Security.

Following the example of changes made in other states, this could be a temporary or flexible change, dependent on the system funding ratio (with or without consideration of side accounts) reaching 90% or another, higher figure, say 96%. As you move forward, we strongly urge you not to act until you have a clear picture of the consequences to a variety of employees. The numbers may not lie, but we remind you that these decisions are about individuals—your neighbors and family members.

### **Summary**

In conclusion, we offer a bigger question: What are Oregon's citizens—its union members, corporations, public servants-- willing to do to stabilize this state? PERS is only one of many Oregon plans/systems that is primarily "dependent on a healthy economy" (Rodman, 2/1/17). How much longer is Oregon going to lurch between times of plenty and times of pending doom? The stability of health care, pension systems, child welfare, education, and infrastructure is dependent on all Oregonians supporting a more balanced taxing structure.