



**Testimony before the Senate Committee on Workforce
Opposition to SB 559 and SB 560
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Chair Taylor, Vice-chair Knopp, members of the committee, thank you for giving me the opportunity to speak with you today. For the record, my name is Melissa Unger and I am the political director for SEIU Local 503 and I am testifying in opposition to SB 559 and SB 560.

SEIU Local 503 represents 65,000 workers. Our workers include a majority of state workers like child welfare workers, road maintenance crews, the frontline staff at the Oregon State Hospital, and the biologists and hatcher workers at ODFW. We also represent some local government workers and the classified staff at our seven universities. About 30,000 of our members receive PERS. The other half of our membership are care givers; homecare workers, nursing home workers, private non-profit workers, and childcare providers who have little to no retirement options available to them.

We are a union of publicly funded workers, so we are acutely aware of the budget challenges and the fact that the increasing employer rates put pressure on the budget. The answer to the budget challenges cannot be to decimate retirement benefits of low-income and middle class Oregonians who had no role in creating the PERS liability.

Speaking as a representative for them, here are the issues with the PERS proposals I want to address:

1. They are illegal, unfair, and extreme
2. They break the contracts you made with public workers
3. They will create other problems of either reduced services or increased costs

More than 60% of our public sector members are in OPSRP, the lowest level of benefits, and their average salary is approximately \$46,000. The cost of their retirement is not creating the unfunded liability, yet some are proposing that they carry the burden of paying for it. And while there is a narrative in the newspapers and the legislature that there has been nothing done to address the growing PERS liability, that is not true. In 2013, when legislators cut COLAs, the people that were impacted the most are OPSRP members since they have fewer years of service for a blended COLA. As you will hear today, those were double digit decreases. And just like in 2013, OPSRP members will once again be disproportionately impacted by the proposals being discussed today.

The proposal to divert the 6% of the IAP raids the individual accounts from OPSRP members to pay down the state's liability for retirees. As you heard over the course of the overview, 70% of the unfunded liability is for people already retired or inactive. The Supreme Court is clear: you cannot take those benefits away. Nor can you take away benefits already earned. So stealing the 6% is taking a middle class Oregonian's retirement to pay for other people's

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retirement. The proposal reduces a recently hired OPSRP members' retirement by 30-40%. That is both unfair and extreme.

These cuts also break the contracts the state and other employers have made with workers. Proposals to slash PERS should not happen in a vacuum. The discussions must happen in the context of total worker compensation both on what the employee receives and what the state pays. The 2016 DAS salary survey shows that total compensation of state employees is 98% of compensation for comparable employees in the private sector. That includes salary, health benefits and PERS. Over the years, compensation packages have prioritized benefits over salary. Choices have been made at the bargaining table and those are the contracts we made in good faith. Additionally, paying benefits over salary can have tax benefits to the employer. Employers get a greater "bang for the buck" for dollars spent on tax-exempt benefits than on taxable salaries.

I also want to point out that it absolutely is not true – as some have said – that public workers do not pay into their own retirement. SEIU members do. Many others do, too. At the state, workers agreed to take over the 6 percent pickup. Our members did so with the belief that the money would be going into their accounts. The choice to take over the 6 percent, meant that our workers got lower COLAs than other workers at the bargaining table. Now, you are changing the rules, taking 6 percent of their compensation away, and going back on your word as an employer. And surely that can not be legal.

People don't go into the public sector to get rich, but public employers still need to offer competitive compensation levels to recruit and retain employees. As noted above, total compensation for State employees, including salary and benefits is only 98% of the Northwest private sector. Salaries alone are only 88% of the private sector. Cutting retirement benefits will make compensation levels for these employees significantly less competitive, and that will make it even more difficult for State agencies to recruit and retain the qualified employees that they need to accomplish their missions. This concern will become even greater as baby-boomers retire—a problem which will only be exacerbated by the mass exodus of retirements that is certain to result from the PERS benefit reductions under discussion.

These reductions will cause either reduced services or increased costs. If you slash retirement benefits 30-40 percent and take back 6 percent of salaries, imagine how that affects your ability to recruit and retain qualified people to do jobs others won't do. Our members do some of the most difficult, heart wrenching and exhausting jobs in public service. We take care of seniors, children, and people living with mental illness or disabilities.

One such worker is Brandy, who works at the Oregon State Hospital. She has recently just got back to work after being on medical leave for being injured on the job. Since her time at the State Hospital, she has had had nine concussions, two knee surgeries, a broken nose, and multiple black eyes. In spite of this, she loves her job, but she working with the population at OSH can be difficult. As you can imagine that she goes home exhausted every day, she is stressed, and she is expected to do that for 30 years before she is able to retire. Without salary or retirement security, and with the knowledge that the rules could change any minute, who will be willing to do that work?

And look at child welfare. Being a child welfare caseworker is one of the most difficult jobs imaginable. As we all work to improve our child welfare system we should be doing everything we can to attract the best and the brightest people to this essential work.

Instead, these proposals are a race to the bottom. We will see even larger vacancy rates for these essential positions and services will be reduced. And the state will only be able to hire whoever is willing to take a low-paying job in the trenches with dismal retirement benefits rather than someone who is qualified. The state will become an employer of last resort. That creates risk for the vulnerable populations we serve.

Because these proposals look at PERS in isolation, they also create risk for increased costs. In 1995 when ballot measure 8 passed which did something very similar to SB 560 did, the state had to increase salaries by 7% (after a statewide strike). In theory SB 560 may bring down the employer rates for PERS, but it does not bring down the costs of running government.

If these proposals were to go through, when does it end? We were told that the 2003 cuts would be the last cuts. That creating OPSRP would mean an affordable, sustainable system. Then the economy decimated our pensions and we took the 2013 COLA cuts, and once again we were told that was it. And here you are again.

Across the state, current and potential public employees are watching this debate carefully. Please do the right thing and reject these proposals that are illegal, unfair, and extreme, break the contracts you made with public workers and create other problems of either reduced services or increased costs.