



**SB 1566 Establishes Employer Incentive Fund
Testimony to Senate Committee on Workforce**

Dr. Edith Rusch 2/8/2017

Chair Taylor and Members of Senate Committee on Workforce

Tax Fairness Oregon strongly supports SB 1566 with the -1 amendment. The report from the Governor's Task Force, which details the reasoning and factual information that led to SB 1566, suggests that we do have brave and thoughtful Oregonians who are willing to take on the challenge of contentious issues.

A 2014 Blue Ribbon Panel report from the Society of Actuaries noted that **the primary goal of any public pension plan should be adequate funding**. In their view, "adequacy means that the sponsor should have the resilience and flexibility to respond to conditions significantly more or less favorable than expected." (p.19). There is no one-time miracle that shrinks a UAL quickly, but Tax Fairness Oregon believes **any effort to reduce the PERS UAL will have benefits for all Oregonians**. Every small reduction, any found money, any new contribution will lead to more budget flexibility for police and fire fighters, for libraries, road crews and our schools. SB 1566 is a right step to take.

A less-recognized aspect of the Governor's task force is the carefully scaffolded 3-year plan that addresses changes to employer financial processes, administrative practices, investment policies, and employer contributions. TFO observed that the plan responded to one of our criteria for changing PERS—that any changes support, value, and respect our public servants.

Last year, after extensive study of public pension systems we concluded that Oregon's Public Employee Pension System (**PERS**) **needed some immediate and thoughtful attention in order to regain its place among the most stable public pension plans in the country**. We based those conclusions on the following facts, many which match the findings of Governor Browns task force.

- Oregon's Unfunded Actuarial Liability (**UAL**) **needs continued serious attention** in order to insure long-term health and stability for current and future retirees.
- A key strength of Oregon's plan is that **our Annual Required Contribution (ARC) is always funded**. (The systems in the most trouble (NJ, CT, KY, IL) have neglected their ARC for decades.) PERS is a large pension plan (800+ employers) and each member ARC's are adjusted every year to meet the costs of the UAL. Those **ARC adjustments affect the ability of each agency to fulfill its core public mission**.
- Overall, **OPSRP is a solid plan**—it is sustainable, affordable, and offers reasonable retirement benefits supplemented by Social Security. However, the IAP portion of the plan is one reason PERS is underfunded.
- The PERS Board and the **PERS system are using industry 'best practices.'** Many of their standards match those of the best funded public pension systems in the nation. Current changes to the expected rate of return (7.2%) and revised mortality assumptions confirm this view.

A FINAL THOUGHT—The changes in federal tax policy offer a challenge/opportunity for Oregon lawmakers to develop a more balanced tax structure that supports the fundamental public systems that are the foundation of our state. We implore you to take up the challenge—and we will have your back!

We read the bills and follow the money