

PERS Testimony
Salem Proposals
May 15, 2019

Good afternoon,

Mr. Chairman, members of the committee,

My name is Jeff Gudman. I reside at 4088 Orchard Way in Lake Oswego. I am a 2018 2 term limited as of December 2018 member of the Lake Oswego City Council. I have also attended the Oregon Investment Council and the PERS board meetings for the last several years.

Thank you for the opportunity to offer some thoughts and to also thank you for your service to the residents of Oregon.

Except for schooling I have resided in Oregon my entire life. I have a B.A. in Economics from Pomona College, one of the Claremont Colleges, and an M.B.A. from the University of Pennsylvania, Wharton School of Business. I provide this background information, not to impress, but to let you know that I can speak “number.” Perhaps not “actuarial number”, but “number” none the less. It also means when I read Present Value of Future Normal Costs and Unfunded Actuarial Liability is used for determining the Long Term Contribution Effort, I have some understanding of what that means.

I wanted to take time to address the PERS reform proposal before you in SB 1049.

Part of the reason for the challenges PERS faces today is the 50% goal for 30 years of government service was exceeded in the past. In some cases, quite dramatically.

It's no secret the benefits of Tier-1 and Tier-2 PERS recipients are a significant strain on the PERS system itself, and therefore on state and local services, including our K-12 system, fire districts, counties, cities, healthcare, and any number of other functions.

To those who would deny the imminent detrimental effects, I would say that just as we need to heed expert counsel and advice on issues like global climate change in order to develop effective policy responses, so do we need to pay attention to the financial experts that have rung alarm bells about the pension system's withering effect on public services.

But I am submit testimony today to urge restraint with respect to this specific measure.

The PERS problem is a complex one, and deserves a well thought out solution. To my understanding, this package of adjustments is the result of a quickly-assembled political deal that has not yet undergone the vetting and review that PERS warrants.

The proposal to extend the amortization period is questionable at best, as it does little more than rearrange our obligations and will likely make the system less resilient.

In addition, this concept has the legislature usurping the PERS Board's fiduciary responsibility, would further underfund the system beyond the current rate collaring methodology, and obviously leave the system's funded status at greater risk.

At a time when the Oregon Investment Council is de-risking its portfolio within the parameters of its portfolio guidelines, efficient frontier, asset allocation etc., the likely net effect of this bill is increasing the risk profile of the PERS system.

Efforts to address the change are to be applauded, but there is a major element of kicking the can down the road in many of the items under consideration.

Conceptually, the proposed changes to the IAP make sense... but I am not aware of a thorough legal review that describes its chances in front of the Supreme Court. I am not an attorney, so I can't speak to the question directly, but I do know it's not something we should be rolling the dice on.

And generally, this is a significant piece of legislation... but as of Monday evening, this amendment was not yet available on the Legislative Information System. Oregon has a tradition of transparency in our legislative proceedings to which this process simply does not do justice. That impedes the vibrant and thorough discussion that should strengthen complex policy like this and serve as a hallmark of our democratic processes.

Legislators, this is a proposal that may very well bear out its intended purpose. But it is also a proposal that, absent a thorough vetting, could very well damage the resiliency of the PERS system and waste a bright opportunity to address PERS.

Please do not waste this moment by acting in haste. If the votes are indeed "there" for reform, please commit to deliberating this measure over the interim to ensure that the resulting reforms are effective, legal, and contribute meaningfully to the long-term resiliency of our pension system.

Thank you.

708 words

