



PERS in peril?

Why AFSCME is ever-vigilant in protecting your retirement

The Oregon Public Employees Retirement System remains under constant attack. From misinformation spewed in local newspaper letters from people who know absolutely nothing about PERS to politicians, former politicians and would-be politicians who should know better, PERS is a constant target for criticism. Everyone, it seems, has some idea on how to “fix” PERS. It’s why AFSCME, as a founding partner of the PERS Coalition, spends as much time and money as it does protecting your retirement. And it’s why you need to help, be it giving to PEOPLE or talking to your family and friends and helping to set the record straight (*see reverse*).

Recent public quotes and comments about PERS ...

• “Lay off all state workers effective Dec. 31 and re-hire them effective Jan. 1 under a new, affordable retirement plan.” — *State Rep. Dennis Richardson*

• “Should some of the factors that go into calculating PERS benefits, including those for long-standing Tier 1 and 2 employees, such as unused sick leave and COLAs, be re-examined and changed?” — *Former Oregon Secretary of State Phil Keisling*

• “PERS is a major problem.” — *Republican gubernatorial candidate Chris Dudley*

• “Oregonians need more PERS reform, including an end to the guaranteed return.” — *Elizabeth Hovde, Oregonian political columnist*

• “There’s going to be an insurrection soon, and it will be the private sector taking aim at the public sector [on PERS].” — *“DrBonsky,” oregonlive.com online contributor*

• “If you thought we ‘fixed’ PERS, think again.” — *Jeb Bladine, Publisher, McMinnville News-Register*

• “Memo to the Legislature: Fix PERS. In addition to aborting pension benefits, many businesses are eliminating 401(k) matching. Everything should be negotiable.” — *Rick Aberle, Portland, letter to the Oregonian*

• “The vested interests in PERS are not necessarily looking out for the best interests of those who ultimately pay the bills — Oregon taxpayers. Left to their own devices, we can expect these vested interests to try enriching their coffers again at our expense.” — *Steve Buckstein, Cascade Policy Institute*

• “Find a way for employees to contribute their own 6 percent to PERS.” — *Keisling and Richardson*

• “Reduce the size and cost of PERS by attrition by contracting out services currently provided by PERS members to private companies.” — *Richardson*

• “Refer to Oregon voters another Measure 8 and give the Oregon Supreme Court another chance to [cut back] Tier 1.” — *Richardson*

The truth about PERS, right now, in 2010

Reports are again surfacing in the media and elsewhere that would have Oregonians believe that the Oregon Public Employees Retirement System (PERS) ... is in dire financial straits ... will soon bankrupt every Oregon governmental jurisdiction; and/or ... needs to be immediately reined in by the Legislature.

In fact, these reports are typically some combination of misinformation, misunderstanding and/or blatant exaggeration for political purposes. Here is accurate information to share with others about PERS:

- **The current recession has hurt all Oregonians.** Firefighters, police officers, teachers and other public employees have all taken hits to their retirement accounts, as have people in private pension plans. Like those who work in the private sector, PERS members are normal, everyday working people. They stand next to you in the grocery line, high-five you at Blazers games and sit next to you in church. They pay taxes. Because they work for the government, they are extremely conscious of the need for schools, prisons, police and fire departments, libraries, city halls and county courthouses to operate as cost effectively as possible. They are vested in PERS, but they are also uniquely “vested in Oregon” and are determined to do the best work they can with taxpayers’ dollars — again, they are taxpayers themselves.

- **While it is prudent to keep a watchful eye on PERS, we should not overreact to normal, cyclical ups and downs that are inherent in any stock market-based pension system.** PERS is designed to weather an economic downturn. Short-term losses in 2008 were met by strong investment growth in 2009, and that growth has continued to date in 2010. “Wall Street Greed” and the 2008 stock market collapse hurt all private and public pension plans, but the diverse Oregon PERS fund has bounced back more quickly than most.

- **Employer contribution rates must be viewed in historical context, not in a vacuum.** Again, because PERS is market-based, there will be inevitable upticks and downswings. As we have already seen within the past decade, there will be good return years that will allow employer rates to drop, and there will be not-as-good years that will force employer rates up. Rates will go up in the next period because of the historic 2008 stock market crash, yet overall the new rates will not be much different than they were five years ago before the latest rate cut. Additionally, the PERS Board has adopted a “smoothing” approach to employer rates, cutting the expected increase for employers.

- **Oregon PERS remains one of the most stable public pension plans in the nation.** Our PERS funding level is nearly 80 percent and trending up. There is room for further improvement, but given recent reports from Illinois, Kansas, Pennsylvania and other states, it is clear that Oregon PERS is financially sound. And far from “bankrupting the state,” PERS has a positive impact on local economies throughout Oregon, a fact completely overlooked amongst all of “the sky is falling” hysteria.

- **The 2003 PERS reforms were successful, but like all reforms they need time to be fully realized.** PERS will look significantly different in 10 years, given a combination of the 2003 reforms and Tier 1 (and Tier 2) members retiring. Good or bad, the litigation following the 2003 reform legislation gave a clear picture of what can and cannot be done to alter PERS, and the courts continue to maintain that “a deal is a deal” for Tier 1 and 2 members.

- **After the 2003 PERS reforms, PERS is now an average, “plain vanilla” pension plan where employers and employees share in the risk and cost of pension benefits.** The creation of Tier 3 (OPSRP) changed the face of PERS in the future; again, we simply need to be patient and let the 2003 reforms take full effect. What some people deem as “problems” with PERS are tied to Tier 1 and 2 members, and we’ve seen that the courts will hold those people harmless. Therefore, adding an additional Tier 4 that would further restrict benefits for future PERS members would accomplish little to nothing; Tier 3 will do that given time.