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## **Guest Viewpoint: PERS reform needed to fix budget woes**

**By Tony Corcoran**

In April, Oregon's unemployment rate was at 8 percent. Talk of recession has turned in some circles to talk of depression. State revenue is down more than \$2 billion from the budget we approved in May 2001. Oregon led the nation in this nosedive, and I've got the bruises from six special sessions to show it.

The Public Employees Retirement System discussion is a distraction from the larger financial crisis of the state, our budget woes and our need for an economic development strategy that gets us back on our feet. The business community has spoken: "We're not going to participate in any coalition on tax reform or revenue replacement until you fix PERS, end of story."

The furor over PERS masks the following facts:

- The average pension of all 83,000 PERS retirees is \$1,424 a month.
- A retiree who retired in 1988 gets a check worth 80 cents on the dollar today.
- In 1992, the average PERS member who retired received a pension of \$1,555 a month.
- In 2001, the average PERS member who retired received a pension of \$2,072 a month.

So much for the Cadillacs and fancy second homes.

Remember that the original solution offered by gubernatorial candidate Ron Saxton and other Republicans was to terminate PERS and start anew with a 3 percent contribution to a 401(k). But terminating the system would cause huge problems.

Unless we paid off the PERS members at 100 percent of their current accounts, we could risk losing tax-exempt status. And if we bonded our \$16 billion actuarial liability to do that, we'd be paying \$1.5 billion a year for the next 15 years; the interest alone would kill us. Giving public employees a 3 percent contribution would put us nearly last in the nation in terms of pension benefits. It would be disastrous for the state to end up paying for welfare for masses of low-income seniors after a career in public service. Not a great recruiting tool, either.

The two largest fixes to PERS, House Bills 2004 and 2003, are both soon to be signed by the governor. As you've read in The Register-Guard, the bills maintain the accrued benefit that public employees have earned to date. They provide for new mortality tables and slow the growth of current pension accounts to correct for the overcrediting of member accounts in 1999. The employees' contribution of 6 percent is placed in a separate 401(k)-type account. The 2 percent cost-of-living adjustment for retirees who left after 1999 will be suspended until that amount of overcrediting is recovered. And

the bill restructures the Tier One 8 percent guarantee so that it's calculated over the life of the plan rather than year-to-year.

Reluctantly, I support both bills. We have to find a solution for a system that cannot sustain itself in the long term, posing a threat to current and future members. I do not speak for labor; labor does not speak for me.

I also know that until we made a serious attempt to resolve the PERS liability, we would not be able to discuss the more important issues of our devastated education system, public safety programs and human services.

This is not a compromise that leaves anyone happy; we knew getting those savings could be achieved only by ratcheting back the benefit. But we ensured nothing was taken from current plans, and we protected the plan for current and future workers. As we proceeded through the reforms we focused on fairness - we tried to retrieve the overcrediting from those unjustifiably enriched, not systemwide. That has proven very difficult.

When this chapter of Oregon history is over, maybe folks will begin to focus on the fundamental issue. What can a small state do in a competitive global economy to get and keep good jobs? It's way past time to upgrade our transportation system. We have thousands of highly skilled workers either underemployed or unemployed who can provide a competitive advantage to new manufacturing firms with a minimum of retraining. Instead of focusing solely on recruiting out-of-state businesses, we should ask how we can help current local Oregon businesses to prosper and grow jobs. Finally, we need to make sure that the jobs we create and sustain are good jobs.

We have to stop behaving stupidly, like cutting funding for schools and pricing our own Oregon children out of access to community colleges and higher education. We need to treat our frail and elderly respectfully, and we need to provide basic public safety. We're not doing that right now.

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