

Putting PERS in some perspective

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By Guest Columnist

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By Bob Livingston

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People who criticize the Oregon's Public Employee Retirement System have painted a lopsided picture of the problem. They've failed to acknowledge past changes that have reformed PERS into a sound pension system.

Any measured analysis of PERS must begin with something that has affected public and private retirement funds alike: Wall Street bankers crashed the economy and it impacted everyone's retirement security. According to Boston College's Center for Retirement Research, Americans lost \$4 trillion in retirement earnings between the stock market's peak in 2007 and its rock bottom in September 2008.

These losses were split equally between private and public retirement plans. Firefighters, police officers, teachers and nurses have shared in the pain of the recession with retirement savings diminished and salaries frozen.

The fact is the Legislature's 2003 reforms capped and stabilized PERS liabilities, largely by diverting member contributions into an account where members bear the risk of investment gains or losses. As a result, liabilities are now growing by just 3 percent a year, half the national average.

Average retiree benefits have gone from a high of 68 percent of final average salary in 2002 to 52 percent of final average salary in 2008, and this downward trend is only expected to continue. In short, the days of some employees earning more in retirement than they did on the job are long past.

Yes, historic 2008 market losses will necessitate employer rate increases. But it's important to put these rates in context. For instance, the state contributed 16.01 percent to the system in 2007-09. As a result of good investment returns, this dropped to 13.11 percent in 2009-11. The state's estimated rate for 2011-13 is 16.7 percent.

What about projections suggesting skyrocketing employer PERS rates in decades to come? These types of projections are the equivalent of crystal-ball gazing and are largely inaccurate due to changes in the economy. In May 2009, for example, PERS' actuary estimated that the plan's funded status was 71 percent at the end of 2008 and was expected to drop further and not return to the 71 percent level until 2021. Four months later, the actuary reported that PERS' funded status had risen to 75 percent, and current analysis shows that it has risen to 77 percent.

Like most mature pension plans, PERS' investments overwhelmingly drive rates to fund the system's obligations. History does not always portend the future, but it's worth remembering that PERS has earned on average 10.25 percent between 1975 and 2008. If PERS enjoys good investment returns, the inevitable consequence will be lower employer rates.

Yes, employer rate increases will affect Oregon's ability to provide vital public services. Nobody appreciates this more than firefighters, teachers, police officers, nurses and other PERS members who provide these services to Oregonians. Our hope is that policymakers across Oregon can face this challenge without turning Oregon's public employees into scapegoats or offering false "fixes" to problems we've already solved.

Bob Livingston is a Salem firefighter and legislative director of the Oregon State Firefighters Council.