The latest PERS information from the Office of the Senate President.

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**Legislators Introduce Cost-Containment, PERS Bills As Part of Budget Solution**

(SALEM) – Two cost-cutting measures introduced today in the Oregon Senate could save a combined $1.1 billion in state, federal and local funds when fully implemented in 2019-21.

“Cost-containment and PERS reforms can be part of the solution. Tax reform that raises significant revenue needs to be in the equation. Then, can we change Oregon’s future. Then, we can put our state back on a sustainable path. We’ve worked all session to get to this critical point. It’s time to close the deal,” said Senate President Peter Courtney.

Senate Bill 1068, which was introduced by Courtney (D-Salem/Gervais/Woodburn) and Senator Mark Hass (D-Beaverton), reforms the Public Employee Retirement System. It is projected to save PERS employers – the state, cities, counties and other local government entities across Oregon – a combined $434 million a biennium when fully implemented in 2019-21. The measure was developed in consultation with public employee unions to be part of a potential agreement to raise corporate tax revenue. Courtney said he will not advance the bill without passage of a significant revenue package.

SB 1067 contains cost-containment measures estimated to save $691 million in total funds when fully implemented.  The measures were developed by a bipartisan, bicameral work group to bend the state’s long-term cost curve, slowing the growth of state expenditures. The bill is sponsored by Courtney, House Speaker Tina Kotek (D-Portland) and members of the work group, Senators Richard Devlin (D-Tualatin), Betsy Johnson (D-Scappoose) and Jackie Winters (R-Salem) and Representatives Nancy Nathanson (D-Eugene) and Greg Smith (R-Heppner).

**PERS Reforms**

Senate Bill 1068 requires a portion of active PERS members’ annual IAP contributions to be redirected into an individual risk sharing account that can be used by the PERS board to pay Tier 1, Tier 2 and OPSRP benefits accrued after July 1, 2018. Beginning July 1, 2018, 1 percent of each employee’s IAP contribution will be redirected into their risk sharing account. Beginning July 1, 2019, that amount will increase to 2 percent. Beginning July 1, 2021, the rate of the redirect will be calculated based on employer contribution rates. It can increase no more than 1 percent a biennium and is capped at 4 percent. It can also be reduced to as low as zero if employer rates drop below 8 percent. As it is phased in, the Legislative Fiscal Office estimates it will save employers $106.7 million in 2017-19.

**Cost Containment**

SB 1067 begins the process of combining the Public Employee Benefit Board with the Oregon Educators Benefit Board and requires PEBB/OEBB to limit the annual growth rate of health care expenditures to 3.4 percent. Additionally, it ties the rates paid for health care services provided to persons covered under PEBB/OEBB to a percentage of Medicare rates. The combined, fully-implemented savings to the state and school districts is $266 million.

Other cost containment measures included in SB1067 include:

         Eliminating automatic inflation increases to agency services and supplies budgets.

o   Projected savings: $211 million total funds in 2017-19.

         Reducing agency budgets to slow the filling of vacancies.

o   Projected savings: $145.3 million total funds in 2017-19

         Eliminating positions left vacant for more than six months and recouping the funding associated with the positions.

o   Projected savings: $67.8 million total funds in 2017-19.

The bill requires a review of the above actions for each biennial budget, resulting in similar potential savings in the future.

The cost-containment bill also includes two other PERS reform provisions. One would apply more than $500 million to the system’s unfunded actuarial liability by setting a $50 million limit on the amount of PERS administrative reserves and directing excess reserves toward the UAL. The legislation requires the Governor’s budget to include recommendations on available funds that could be used to make lump sum payments into PERS.

Additional components of the measure for which there is not a quantifiable savings include:

         Limiting the number of state employee full-time equivalent (FTE) positions to 1 percent of state population (currently, 1.5 percent);

         Changing debt collection practices;

         Adding rigor to vendor contracting process;

         Requiring legislative review of position reclassifications and the addition of steps to the top of salary ranges;

         Requiring the Department of Administrative Services to report on future costs of collective bargaining agreements;

         Utilizing available resources to fund smaller capital projects rather than issuing bonds; and

         Establishing a target for capital spending on deferred maintenance.