

PERS reform a priority for business leaders at summit

Oregon is only state to not require employee contributions

By **TED SICKINGER**
The Oregonian

PORTLAND (AP) — Reforms to Oregon's public pension system took a prominent position in the playbook business leaders unveiled at their annual economic confab with legislators.



Steve Rodeman

Organizers of the Oregon Leadership Summit identified soaring pension costs as one of the main headwinds that could stall or derail fiscal and economic progress.

But Democratic leaders who spoke at Monday's summit gave the issue a wide berth. Gov. Kate Brown didn't mention it. Nor did House Speaker Tina Kotek. And Sen. President Peter Courtney gave it an oblique reference as a contributor to the budgetary Civil War that he says could unfold in 2017.

Away from the main convention ballroom, however, the state's looming pension problems took center stage at a sparsely attended breakout session late in the day. A panel of experts dissected their history and their looming impact on government budgets.

They urged lawmakers not to ignore the problem: an \$18 billion-and-growing funding deficit in the Public Employees Retirement System. In order to bail it out, required payments from government employers will go up by 20 percent in each of the next three budget cycles, said Steve Rodeman, PERS executive director.

By 2021, that means schools, municipalities and government agencies will be dedicating almost one-third of their payroll dollars to the retirement system.

John Tapogna, an economist with ECONorthwest, said legislators had designed an "unusually exotic" and expensive pension system. He called it a generational mistake, and said the state continues to deal with its aftermath.

In May, the Oregon Supreme Court threw out most of the pension reforms enacted by the Legislature in 2013. In the process, it put any reduction in current retiree benefits off limits. That eliminated the reforms lawmakers felt were most equitable, because retiree benefits comprise the bulk of the system's unfunded liability.

Yet panelists on Monday discussed several ways in which the cost increases expected in coming years could be more equitably absorbed or minimized.

Chief among them: requiring

public employees to contribute to the pension fund, absorbing some of the expense currently being borne by public employers and taxpayers.

Panelists said Oregon is the only state in the nation that requires no contribution to its public pension system from employees. That has been the case since 2004, when previous pension reforms redirected public employees' 6 percent retirement contributions out of the pension system and into a supplementary retirement account owned by employees.

Putting some or all of those contributions back into the retirement system could offset as much as \$1.2 billion in required contributions from employers every biennium. That's about half of the incremental cost increases expected to kick in over the next six years.

Eugene attorney Bill Gary recently delivered a legal opinion on the issue to the Oregon Business Council, which organizes the summit. He said such a move would almost certainly be declared legal by the Oregon Supreme Court.

"There are various mechanisms out there to establish to establish cost sharing and increased employee contributions, and that's what we've put out there in concept," said Tim Nesbitt, an advisor to two past governors and former labor leader who served as a consultant on the business plan.

The business plan's policy playbook also suggested that the state could reduce the interest rate it uses when calculating members' annuity payouts under its controversial money-match formula. The system currently uses its assumed earnings rate on investments — 7.5 percent — in that calculation instead of a market rate, which would be several percentage points lower.

That not only inflates members starting benefits, but is compounded as retirees earn annual cost-of-living increases in future years. Using a market-based interest rate in the calculation could save more than a \$1 billion over time, the panelists said.

Sen Tim Knopp, R-Bend and a veteran of Oregon's pension wars, plans to introduce a bill with several cost-cutting measures in the upcoming session. He said it would include both the fixes outlined in the business community's policy playbook, along with a few more.

Knopp said there would be plenty of political pressure to ignore the issue in the upcoming legislative session, and it would take both political courage and public pressure to make any progress.

"It needs to be fixed," he said. "It will devastate public budgets if we don't act."

Oregon 'motor voter' system set to launch

By **HILLARY BORRUD**
Capital Bureau

SALEM — Oregon is on track to launch its automatic voter registration system in January, Secretary of State Jeanne Atkins said Monday.

Under the new law, people who are eligible to vote will be registered after they obtain or renew their driver's licenses, permits or identification cards. Oregon is the first state to enact an automatic voter registration law, and the legislation was a top priority for Gov. Kate Brown dating back to when she was secretary of state.

Atkins said during a press briefing Monday that people outside of Oregon are watching to see how the new system unfolds.

"We'll probably see the nation paying attention, in addition to Oregonians paying attention," Atkins said. "We've been very pleased with the work that's been done so far and our ability to run end-to-end tests here in December."

State officials expect the new system will add approximately 10,000 voters to the rolls each month starting in January. The secretary of state will also use

Oregon Driver and Motor Vehicle Services Division data to register people who obtained or renewed their driver's licenses, permits or identification cards over the last two years, agency spokeswoman Molly Woon wrote in an email. This provision could add as many as 275,000 voters to the rolls, Atkins said. However, the state will not implement that portion of the law until after the May primary.

It's less clear how many people will opt out of voter registration.

The DMV will only send data to the Elections Division for people who have demonstrated, through documents shared with the DMV, that they are eligible to vote. This means Oregon residents who are U.S. Citizens and at least 17 years old. The Elections Division will send mailers to people identified as eligible, giving them 21 days to opt out of registration or to register with a political party. If people do nothing, the state will register them as unaffiliated voters.

Once a citizen opts out of au-



Jeanne P. Atkins

tomatic voter registration, the Elections Division will not contact the person in the future when he or she renews a drivers license or updates an address at the DMV. The other voter registration options will still be available, including registering to vote online and at the DMV.

"How many people will say 'no thank you' is a little bit of an unknown," Atkins said.

People exempt from the automatic registration process include certain law enforcement and other individuals who have signed up through the state to keep their addresses confidential for personal safety reasons, according to the state's new voter registration manual.

The law goes into effect Jan. 1, when the DMV will be closed for the holiday. As a result, the first people to be affected by the law will those who obtain driver's licenses or update their addresses Jan. 4. These people will begin to receive mailers from the state sometime after Jan. 5, when state elections workers will begin to send out the materials.

The new law also affects people who update their addresses through the DMV, although they will not be registered to vote. Instead, the Elections Division will send the updated addresses to county clerks so they can update the information of existing registered voters.

Shamus Hannan, an application development manager in the Secretary of State's office who has overseen the project, said the state did not create it from scratch. Instead, the automatic registration program built upon Oregon's existing system of data sharing between the DMV and the Elections Division which the state uses for functions including online voter registration. The program is expected to cost approximately \$753,000 during the current two-year budget, according to the Legislative Fiscal Office.

It's "a variation on a theme, rather than something completely new for us," Hannan said. "Currently, we are in final testing of the application with our partners from all the other agencies, including the counties."

The Capital Bureau is a collaboration between EO Media Group and Pamplin Media Group.

Faced with federal fee, Oregon reconsiders own health exchange

By **GOSIA WOZNIACKA**
Associated Press

PORTLAND — With a new fee for some states using the federal health insurance portal on the horizon, Oregon says it's looking into running its own exchange again, but with another state's software.

Oregon officials say they're planning to solicit proposals this month for technology that's successfully running an existing health insurance exchange.

The move would be an interesting twist for Oregon, which ditched its problem-plagued Cover Oregon portal last spring and switched to the federal website. Oregonians now use HealthCare.gov to enroll in coverage, but the state continues to certify insurance plans, do community outreach and education.

The proposed fee concerns four states including Oregon that run federally supported state-based marketplaces. Nevada, New Mexico and Hawaii also abandoned their exchanges due to technology fiascos and switched to the federal portal, but have retained some state functions.

The proposed user fee of 3 percent of the monthly premiums would be paid by insurance carriers who offer plans in those states via HealthCare.gov. Carriers are expected to pass the new costs on to consumers in the form of higher premiums.

The Department of Health and Human Services says the fee covers the costs of running the federal IT platform. A reduced fee rate of 1.5 percent is being considered for the 2017 benefit year to ease the transition for states, said spokesman Aaron Albright.

The government already charges a 3.5 percent fee on premiums in states that rely on HealthCare.gov and other services. States that run their own exchange portals don't have



help stabilize premiums.

As a result, Oregonians enrolling in plans for 2016 are facing some of the highest rate increases in the country — and rates could reach even higher with the new fee, officials said.

The 3 percent fee means a total cost of \$13 million per year for all the carriers, said Patrick Allen, director of Oregon's Department of Consumer and Business Services. That's a high amount, considering Oregon already charges carriers a 2.9 percent fee on premiums for certifying plans, community outreach and other services.

"We always knew the federal government would propose a fee, we knew it wouldn't be free forever," Allen said.

The state, he said, isn't looking to develop an exchange website from scratch like it did with the failed Cover Oregon process. Oregon is fighting in court with its contractor Oracle Corp. to recoup millions it paid the tech giant to construct the glitch-filled exchange.

Instead, Allen said, Oregon would consider using exchange software that has "a demonstrated track record" if it's more cost-effective. Connecticut's exchange has been touted as a national model, and at least one state — Maryland — has adopted it. Oregon is also currently working to adopt the Kentucky eligibility and enrollment system for Medicaid.



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