Park: People care about it and value it

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replica. They had hoped to sit in on a demonstration or two and learn more about Lewis and Clark from interpretive rangers. Instead, they only ran into other visitors like themselves who walked the trails, stood in front of the empty fort or paused to look at the dark windows of the visitor center.

Graham is studying Lewis and Clark in school and they had planned the trip to Clatsop County — their first vacation in two years — specifically to visit historic sites in the park.

"This is the reason why we came down," Pickard said.

Pam Cain, of Seattle, is a frequent visitor to the park. She has a condo in Long Beach, Washington, and likes to walk the mellow Lewis and Clark River Trail that leads from the far end of the park at the Netul River Landing to the visitor center and the Fort Clatsop replica.

She took advantage of sunny weather on Monday to walk the trail. Though she has not noticed anything negative in the park due to the shutdown, she feels terrible for federal employees who haven't been paid.

"What are they supposed to do now?" she asked.

Still, Cain and others are impressed with the state of the park. To them, it is reassuring. It proves people using the park care about it and value it.

Quakes: 'Slow slip directly triggers seismic slip'

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fault, where one plate is sliding beneath another. Still, Kuna's findings were remarkable.

"Slow slip directly triggers seismic slip — we can see that," Kuna said in a statement. "The findings are very interesting and may have some broader implications for understanding how these kinds of faults and maybe other kinds of faults work."

To see how those faults work, Kuna and other researchers had to look beneath the Earth's crust, which can vary from 40 miles thick on land to just 2 miles thick on undersea ridges. The boundary area between the crust and the next layer beneath it, the upper mantle, is called the Moho.

Slips in the Moho, which don't always result in earthquakes, can be precursors for quakes in the layers above, said co-author John Nabelek.

"We see slow, aseismic slips that occur at depth in the fault beneath the Moho and load the shallower part of fault," he said in a statement. "We can see a relationship between mantle slip and crust slip. The slip at depth most likely triggers the big earthquakes. The big ones are preceded by foreshocks associated with creep."

The Blanco fault is close enough to the Cascadia Subduction Zone, Nabelek said, that action on one could portend action on the other.

"A slip on Blanco could actually trigger a Cascadia Subduction slip," Nabelek said. "It would have to be a big one, but a big Blanco quake could trigger a subduction zone slip."

PERS: Better funded than many state systems

Continued from Page A1

fund employees' pension benefits. Over the same period, it paid out $4.7 billion in pension benefits. That $3.3 billion mismatch is called negative operating cash flow.

That's not an inherently bad thing. Many mature pension systems have cash flow negative. But when PERS writes its monthly checks to retirees, the money needs to come from somewhere.

That somewhere is the pension trust fund, and the investment earnings it throws off. In recent years, those earnings have covered nearly three-quarters of the cost of PERS benefits. Across the public pension landscape, that makes Oregon's system more dependent on investment earnings than all but a handful of systems.

But PERS' benefit payments aren't static. They are stair-stepping higher every year as more public employees head for retirement. As it stands, about a third of active public employees and inactive members entitled to a future PERS benefit are eligible to retire. Consequently, annual benefit payments are projected to grow to more than $6 billion by 2024, more than $7 billion by 2029 and $8 billion by 2035.

The immediate question facing state investment managers is whether and how to restructure the portfolio to meet those increasing cash needs. But longer term, the question is the same one facing most retirees: How much cash can it afford to spend every year without dipping into the seed corn, and potentially exhausting the fund.

Here's another conundrum: accomplishing the first objective may undermine the second.

But first things first. To date, the PERS portfolio has been structured to maximize returns for the pension fund. Over time, state investment managers have delivered, piling money into leveraged buyouts, real estate partnerships and distressed debt funds that have generated the excess returns needed to fund PERS' growing benefit bill while keeping contributions from employers relatively reasonable. Right now, more than 40 percent of the PERS portfolio is spread across a variety of those "alternative investments."

Optimizing the portfolio for cash needs, says Adams, the Oregon Investment Council chair, is an entirely different objective. And by definition, it may mean dialing down investments in the private partnerships that have traditionally delivered the extra juice on returns. That's because those are illiquid investments, often locking up cash for 10 years or more.

During the last recession, many pension plans were forced to sell their illiquid alternative investments at deep discounts on secondary markets to raise cash. Oregon's pension managers want to avoid that kind of "liquidity crunch."

"It's definitely an issue for the council to consider," said Treasurer Tobias Read. "I feel good about the fact that we're taking this seriously. We have the capacity to be thoughtful about it. We don't have to make drastic changes."

If the investment council does shift more of its investments into liquid assets — and it will be looking hard at that question this year — it could put new pressure on the PERS Board this July to reduce its assumption about what those investments will earn. That's currently 7.2 percent annually, an estimate many experts think is inflated in today's low interest rate environment.

That's not just an academic exercise. Lowering the assumption would increase the present value of the system's future benefit payments as well as its funding deficit, requiring higher contributions from employers — exactly the situation that Brown and other lawmakers are looking to avoid. In fact, Brown has pledged to stabilize schools' contribution rates, though she hasn't said how.

Oregon politicians take comfort in the fact that PERS, unlike many public pension systems around the country, is not in severe distress. It is better funded than many state systems, and its actuarial assumptions are more conservative.

But not all the comparisons are favorable.

Negative cash flow

Last year, the Pew Charitable Trusts issued an analysis comparing cash flows in public pension systems across the country. It found that Oregon PERS' negative cash flow as a percentage of its assets (before investment earnings) was higher than all but five state pension systems, at negative 5 percent in 2016. So, before investment earnings, cash outlays consumed 5 percent of its assets. That number bounces around, but the cash flow has been on an increasingly negative trend line.

That makes Oregon's plan more vulnerable to market volatility, magnifying the impact of poor investment returns. In years of poor investment performance, like last year, the fund eats itself. And if the balance gets low enough, from a big market correction or a series of years with low returns, it might not throw off enough cash to backfill the annual cash flow deficit and, potentially, could undermine the plan's solvency.

That's not an issue yet. But as the Pew study noted, the gap between returns on safe investments and state pension plans' assumed returns are the highest in decades.

'THE LIQUIDITY AND SOLVENCY RISKS ARE SIGNIFICANT.'

Randall Pozdena | an economist with EcoNorthwest who previously served on the Oregon Investment Council

"Independent analyses suggest that states can assume returns of about 6.5 percent a year for at least the next 10 years; 5 percent or lower returns are a real possibility over the next 20 years," the study said.

Oregon's Legislative Fiscal Office took its own look at the issue in December. Its analysis noted that Pew had actually underestimated the ratio of PERS negative cash flow to its assets in 2016. But it concluded that the system had little liquidity or solvency risk, because PERS is still assuming its investments will earn more money each year — 7.2 percent — than the drain on its assets: 5.2 percent of assets. Assets increased in 2017, for example, when the fund earned 15.3 percent and contributions went up.

Randall Pozdena, an economist with EcoNorthwest, previously served on the Oregon Investment Council. He was sounding the alarm about the structural deficit created in the pension system in the run up to the 2000 dot.com bust. He's unconvinced by the state analysis.

"The assumption is that you'll earn the assumed rate every year as new cash, and that will paper over the negative cash flow," he said. "That's simplistic logic."

The reality, he says, is that this is the longest bull market in history. At this point, he says, it's hard to see where the productivity growth will come from to sustain market returns.

"The liquidity and solvency risks are significant," he said.

Adams, the Oregon Investment Council chair, said the panel will begin that analysis with a review of its private equity portfolio later this month, then expand to consider liquidity needs, expected returns and the volatility of returns.

"If benefits remain the same, and employer contributions plus earnings cannot cover the cash needs of the plan, (we) as responsible investors have to face that reality and manage the assets accordingly," she said.

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