

Report lays groundwork for higher PERS rates

By Peter Wong
Capital Bureau

State and local governments will soon know how much more each of them will have to pay into Oregon’s public pension fund in the next two-year budget cycle.

Combined, they will have to come up with some \$885 million more, due to a court decision overturning most of a pension benefits cut passed by the Legislature, plus tepid investment returns.

Based on a report presented last Friday to the Public Employees Retirement System Board, their total contributions to the fund will jump from \$2 billion in the current cycle to \$2.9 billion in 2017-19.

Board Chairman John Thomas warns there will be similar jumps in at least the next two budget cycles — through 2021-23 — because government agencies would be unable to absorb the full increases in a single cycle.

“There is only so much we can assess (employers),” Thomas says. “The rest is kicked down the road. That is the reason this is not going to

go away for probably the next 20 years.”

The pension cost increases are likely to eat into money available for other programs and for employee pay increases.

The report says the projected increases amount to \$260 million for state agencies, \$335 million for schools, and \$290 million for all other government employers.

However, the possible hit to the 2017-19 state budget is likely to be close to \$500 million, if the state continues to pick up two-thirds of the operating costs of school districts.

Senate Republican Leader Ted Ferrioli of John Day renewed his call for legislative action to curb future public pension costs.

“Unsustainable and escalating PERS costs will not lead to reducing class sizes, adding school days, or making our communities safer,” he said in a statement released before the PERS Board heard the report. “We need fair and constitutional PERS solutions that reduce costs, ensure the long-term stability of the system to protect retirees, and allow for investments in education.”

Individual rates due

Based on the report prepared by Milliman, the system’s actuarial consultant, the board is scheduled Sept. 30 to approve specific contribution rates for each of the 925 government employers, which will take effect when the new two-year cycle starts on July 1, 2017.

The rates paid by each government will vary based on three factors: the number of workers hired before and after August 2003, when lawmakers set less generous pension benefits for new hires; their share of public safety employees, who qualify for greater benefits, and whether they have set aside money, known as “side accounts,” to cover part of their future pension liabilities.

School districts are likely to face higher-than-average rates, and most state and local governments less than the average.

State and local government employers received preliminary rates several months ago, in an earlier report by Milliman based on 2014 data.

Friday’s report, which is based on an analysis of 2015 data, will lay the groundwork

for the final rates.

“Most employers, particularly in the state and local government retirement pool, do not pay the average,” says Milliman’s Scott Preppernau.

The system’s average “collared” net rate will rise by roughly one-third, from 10.61 percent to 14.23 percent of payroll. That’s roughly the same cost as giving employees a 3.6 percent pay raise. Ninety-five percent of state and local governments’ 200,000 employees are covered by PERS.

The rate is “collared,” because government employers will face similar increases spread over the next two budget cycles, through 2023. The practice of collaring cushions the effects of a big increase over two or more budget cycles.

Unfunded liability grows

Oregon’s PERS obligations had been funded at 86 percent at the end of 2013 — among the best in the nation — but two years later, it’s down to 71 percent. (With side accounts included, the numbers are 96 percent and 79 percent.)

PERS’ unfunded actuarial

liability over the next 20 years — the shortfall in funding future obligations — more than doubled. At the end of 2013, it had been \$8.5 billion — excluding the money in side accounts — but Milliman says it is now \$21.8 billion as the end of 2015.

A big chunk of the new liability (\$5 billion) resulting from a 2015 decision by the Oregon Supreme Court, which ruled that lawmakers cannot retroactively pare cost-of-living increases to 130,000 retirees based on benefits earned before 2013. That’s when the Legislature agreed to make those reductions.

The court decision did not affect 2015-17 contributions by government employers, whose rates were set by the PERS board in 2014, before the court ruling.

Although post-August 2003 hires account for just under half of Oregon’s 200,000 public workers, greater pension costs are incurred for those hired before then — including virtually all of the current 130,000 retirees.

According to the Milliman report, most of the new increase in unfunded liability

(\$2.6 billion) came from weak returns on PERS investment. The fund gained 2 percent in value last year, far short of the assumed rate of 7.5 percent used to set pensions. The PERS Board reduced the assumed rate from 7.75 percent last year.

Also, retirees are living longer than forecast, accounting for a \$300 million increased gap.

As of June 30, the PERS fund held investments valued at \$68.9 billion, down from \$70.4 billion a year ago, but up from \$66.2 billion in February.

Investment earnings account for about 70 percent of what PERS pays out to retirees, and contributions from government employers supply most of the rest.

Although the stock market has improved in 2016, PERS Board Chairman Thomas says the unfunded liability could grow even more if actual investment returns fall short of the assumed rate this year.

“Assumptions for the future of capital markets are not as they were three or four years ago,” Thomas says. “So there could be the likelihood of an adjustment.”

Poll: Brown, Pierce in dead heat in governor’s race

By Paris Achen
Capital Bureau

Democrat Gov. Kate Brown and Republican Bud Pierce are nearly tied in the race for the state’s chief executive, according to poll results released last week.

The poll by Clout Research, a right-leaning firm based in Columbus, Ohio, found Brown holds a lead of 43.4 percent over Pierce’s 42 percent. The margin of error is 3.71 percentage points.

“What we are seeing in the race for governor is the same as the race for president,” said Fritz Wenzel, pollster and owner of Clout

Research. “Voters across the country are dissatisfied with the status quo.”

Pierce’s surge in support comes mostly from independent voters. About 41 percent of independent respondents favor Pierce, while 29 percent support Brown, according to the poll.

“The tsunami in Oregon right now is where independents are heavily supporting Trump and Pierce,” Wenzel said.

Pierce, a Salem oncologist, said the results don’t surprise him.

“I think voters like my message of being open and transparent with them,”



Dr. Bud Pierce



Gov. Kate Brown

Pierce said. “Since the primary election I’ve been out in many Oregon communities spreading the word about what I would do to improve Oregon, if elected governor. Kate Brown has basically been an invisible candidate, not attending debates or answering tough questions. The governor has only been accessible to insiders and lobbyists. I’ve

tried to make myself accessible to the people and the media.”

Brown’s campaign was not immediately available to comment on the poll Wednesday. Brown and her campaign director are attending the Democratic National Convention in Philadelphia this week.

About 700 voters responded to the telephone

poll, which was conducted July 9-13.

The national polling company serves mostly Republican clients, but no one commissioned this poll, Wenzel said. The pollster said he conducted the poll to satisfy his own interest in Oregon politics. Wenzel is originally from southeast Portland.

The poll also found that support for a corporate sales tax measure, known as Initiative Petition 28 or Measure 97, is eroding. About 39 percent of respondents favor the measure, compared with 44 percent in early May, Wenzel said.

The nonpartisan Legislative Revenue Office has said the 2.5 percent tax on certain corporate sales exceeding \$25 million would act as a consumption tax. The tax would cost the average family in excess of \$600 per year in higher prices.

“There has always been

more people supportive of the measure than opposed to it, but as people learn more about the measure and who would pay the new taxes, the support appears to be dwindling,” Wenzel said. “Anytime a measures falls below 40 percent support, it is in dangerous waters.”

Our Oregon, the nonprofit behind the corporate sales tax campaign, dismissed the poll as biased.

“This is a poll conducted by a consistently wrong, right leaning group,” said Katherine Driessen, Our Oregon spokeswoman. “That’s clear based on their inaccurate results throughout the poll. Every single finding in this poll is without credibility.”

Nate Silver’s FiveThirtyEight, which rates pollsters on their accuracy, gave Clout a “C minus.” The publication stated that Clout calls races correctly about 33 percent of the time.



A MAN WAKES UP in the morning after sleeping on... an advertised bed, in advertised pajamas.

He will bathe in an **ADVERTISED TUB**, shave with an **ADVERTISED RAZOR**, have a breakfast of **ADVERTISED JUICE**, cereal and toast, toasted in an **ADVERTISED TOASTER**, put on **ADVERTISED CLOTHES** and glance at his **ADVERTISED WATCH**. He'll ride to work in his **ADVERTISED CAR**, sit at an **ADVERTISED DESK** and write with an **ADVERTISED PEN**. Yet this person hesitates to advertise, saying that advertising doesn't pay. Finally, when his non-advertised business is going under, **HE'LL ADVERTISE IT FOR SALE.**

Then it's too late.

AND THEY SAY ADVERTISING DOESN'T WORK? DON'T MAKE THIS SAME MISTAKE

Advertising is an investment, not an expense. Think about it!



Blue Mountain Eagle
MyEagleNews.com
Don't get left behind, call today! Kim Kell 541-575-0710



Great deals on men's & women's shirts, shorts & jeans!



summer SIDEWALK SALES EVENT

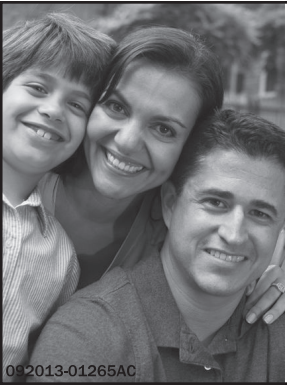


JUST IN TIME FOR FAIR & BACK TO SCHOOL!
SATURDAY, AUG. 6, 9AM-6PM

234 NW Front St., Prairie City • 541-820-3675




facebook
FACEBOOK.COM/MyEAGLENEWS



092013-01265AC


Balance Today with Retiring Tomorrow

No matter where you're starting from, COUNTRY can help you achieve financial security in retirement. It starts with listening to your situation. Then we help you build a straightforward plan with step-by-step guidance. Call me to get started today.



Debbie Ausmus
245 South Canyon Blvd.
John Day, OR 97845
OPEN WED. & THUR.
9 am - 5 pm
541-575-1113
24 hrs/7 days wk

debbie.ausmus@countryfinancial.com



We know *your* business makes *our* business.



Take us along, too.




Bank of Eastern Oregon

BEO Mobile
for Apple & Android



Member FDIC

03124




Get The Relief You Need From Foot Pain!

- Treatment and Surgery of the Foot and Ankle
- In-grown nails
- Bunions
- Warts
- Gout

- Corns, & Callouses
- Diabetic Foot Screening
- Foot Odor, Athletes Foot
- Treatment for pain in feet, shins, heels, knees, lower back
- Custom-molded Orthotics

Michael Rushton, DPM
Podiatric Physician and Surgeon



Dr. Rushton is a Medicare participant and Preferred Provider for Lifewise and Blue Cross/Blue Shield

Baker City
2830 10th Street • 541-524-0122

Every other Monday in John Day at Blue Mountain Hospital
170 Ford Rd. • 541-575-1311

The Doctor speaks Spanish - el doctor habla Espan-ol.