
EDITORIAL
Safeguarding Oregon's wheat

Editorial Economically, the GM wheat surprise is just as scary as running down a mad cow **B4**
Commentary Raise my taxes, sure, but make meaningful PERS changes too **B5**

Newsroom: 503-221-8100
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TUESDAY, JUNE 4, 2013

METRO

The Oregonian
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NEWS FROM THE PORTLAND AREA AND THE NORTHWEST

MY MESSAGE TO OREGON'S LEADERS

Raise my taxes, but make meaningful PERS fixes too

In recent years, I have advocated passionately on these pages for imposing higher income and estate taxes on the wealthy. Our state and federal governments need greater revenue, and we at the top collectively have the money to spare. The same is true for well-off companies. Multiple studies show that higher taxes on the rich do not stymie economic growth.

JIM McDERMOTT

IN MY OPINION

Just as our elected state and federal leaders have failed sufficiently to tap into this large source of additional revenue, our leaders have likewise failed to pay sufficient attention to the expense side of the budgetary equation. On the state level, PERS is a prime example of leadership failure. For example, a teacher in his or her mid-50s retiring after 30 years of service typically receives a guaranteed annual check for life of approximately $60,000, plus cost-of-living increases each year. That teacher has a life expectancy of approximately 30 years. The present value of this defined benefit future income stream is $1.5 million, using a 3 percent discount rate. And this is just for one teacher's retirement. Does it really make sense to pay a public employee more in retirement than what we paid him or her to actually work for us?

PERS represents a gushing budgetary drain. Teachers, I applaud your public service. I honor your commitment to educating our kids. I don't want you to suffer in retirement. But very few people in the private sector making your income for the past 30 years have saved $1.5 million for retirement. And, importantly, PERS beneficiaries don't have to worry about running out of retirement money. If they live five to 10 years beyond their life expectancies, they'll still get their guaranteed pension, plus a generous COLA, until death.

Applying any rational economic model, PERS is just too rich. The medium- and long-term costs are staggering. PERS benefits — absent further changes — will sap current and future necessary public investments. One of the larger public investments we need to make is in public education. But PERS costs are seriously hampering our ability to make that critical investment.

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The recently enacted anemic PERS changes don't even reform the unconscionable spiking problems, the money match problems or the 6 percent public employer "pickup" problems. Instead, the state supposedly just "reformed" PERS by, in part, deferring $350 million in public employer rate increases to the future. What our elected leaders have done, so far, is similar to a family paying its current bills by converting its fixed-rate mortgage into an interest-only loan and borrowing from an existing IRA. This is Band-Aid financial planning at its worst. This "solution" will only compound our state's long-term financial problems.

This is not leadership. Instead, all this does is stoke the public perception that government doesn't budget wisely and is an irresponsible steward of taxpayer money.

I — and others like me — should be a prime source of additional tax revenue. But public employees making, or soon to make, more money in retirement than they made while working should give up more of their overly generous PERS benefits.

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