

UNFINISHED BUSINESS:

Oregonians Look to the Legislature to Address PERS

DHM Panel April Survey Results
May 3, 2019

Oregon's legislative session is heating up. Already, major legislation has passed or is making its way toward the governor's desk. Some significant bills that have passed address rent stabilization and zoning for multifamily housing. The legislature is continuing to debate the creation of a "cap and invest" program to reduce climate emissions. And last week, the House passed a bill that would raise \$2 billion for K-12 public education.

In the last several legislative sessions, the state's Public Employee Retirement System, or PERS, has emerged as an issue for study and debate, but has not been significantly modified. This year could be different for a few reasons. First, local governments and schools are facing significant increases to their PERS contributions in the next couple of years. Second, Governor Brown and the Democratic leadership that controls both the House and Senate have made PERS reforms a priority. And third, some legislators have said that any new tax increases must be paired with reforms to PERS.

For this month's DHM Panel survey, we wanted to check in with Oregonians about their view of some of the PERS proposals being considered in Salem. PERS is complex and politically fraught. We are aware that not every PERS proposal or perspective was included in this survey. But so long as it remains a top legislative, budgetary, and personally impactful program for hundreds of thousands of workers and retirees, we'll keep on checking in with Oregonians about the ideas being debated by our state's leaders.

KEY FINDINGS

Doing nothing is not an option.

The survey explained to respondents that the PERS fund is \$26.6 billion short of what it will need to pay benefits owed to current and future retirees. We also informed respondents that in the coming years, local governments and schools will need to spend an additional \$10 billion from their budgets in payments to the PERS fund if no changes are made.

Having laid this out, we asked respondents if they would support or oppose the following:

- Make no changes to PERS and increase taxes to provide the extra funding needed to cover the PERS debt.
 - 28% support
 - **67% opposed**
- Make no changes to PERS and reduce costs elsewhere to provide the extra funding needed to cover the PERS debt.
 - 37% support
 - **59% oppose**

While it's the case that Oregonian voters as a whole are opposed to making no changes to PERS, there are notable differences by party—differences that help show why PERS is a challenge politically. Republicans and nonaffiliated voters overwhelmingly oppose making no PERS changes and increasing taxes (83% and 77%), while Democrats are split with 48% opposed and 43% supportive of this approach.

Oregonians want to protect earned benefits.

While Oregonians are open to considering changes to PERS to reduce costs going forward, they are also clear that protecting the benefits that employees have already earned is necessary:

- Make changes to PERS to reduce the system's costs for governments in the future but protect all retirement benefits earned to date by employees.
 - **77% support**
 - 19% oppose

Support for protecting earned benefits is high across all demographic groups and political affiliations, including 81% of Republicans, 72% of Democrats, and 76% of nonaffiliated voters.

Oregonians are supportive of changes that would require employees to contribute 6% of their salaries to PERS or a possible new plan.

It's clear that Oregon voters want to protect PERS benefits that existing employees have earned from past work, but they are open to changing the system going forward. Currently, the vast majority of employees in the PERS system do not contribute 6% of their salary to the system. These contributions are instead “picked up” (paid for) by employers in addition to their salary. The survey asked about three proposals that have been discussed in the legislature; all would require employees to make contributions to PERS or a new retirement plan.

- Replace the current PERS system with a new “defined contribution” system—like a 401(k) plan—where employees and government would each contribute 6% of employees' salaries, for a total of 12%.
 - **72% support**
 - 19% oppose

Replacing the PERS with a 401(k)-like system would be a significant shift in policy. Yet, it is broadly popular with Oregon voters. 84% of Republicans and 70% of nonaffiliated voters would support this, as well as 63% of Democrats. Support is lowest among self-described liberals (58%) and those with incomes less than \$25,000 (58%), but even a majority of these voters are supportive.

- Keep the current PERS system and require all government employees to contribute 6% of their salaries to help pay for their pension benefits, as was required prior to 2004.
 - **68% support**
 - 22% oppose

While Oregonians are supportive of moving toward a 401(k) system, they are not single minded about it. Two-thirds of voters would also support keeping the existing PERS system if government employees were required to contribute 6% of their salaries to their pension benefits. Again, this is broadly supported by all demographic and political groups, including 74% of Republicans, 68% of Democrats, and 62% of nonaffiliated voters.

- Give employees the choice of enrolling in either a 401(k)-style plan or PERS, but not both. Each option would require an employee contribution of 6%.
 - **66% support**
 - 25% oppose

Other ideas for PERS changes have mixed support.

The survey tested four additional ideas for changes to PERS if employees are required to contribute to their retirement benefits.

- Guarantee that there will be no additional changes to PERS pension benefits as long as employees are contributing to those benefits.
 - **59% support**
 - 27% oppose
- Allow employees with lower benefits or lower salaries to pay less into PERS, while requiring employees with higher benefits or higher salaries to pay the full 6%.
 - **53% support**
 - 38% oppose

Notably, this is significantly more popular with lower income voters. 72% of those making less than \$25,000 support this proposal compared to 48% of those making \$100,000 or more.

- Allow governments to pay employee contributions into the PERS pension plan on behalf of their employees in exchange for lower salaries.
 - 42% support
 - 44% oppose
- Require that all savings to PERS from employee contributions are used to improve government services.
 - 36% support
 - 40% oppose

ABOUT THE DHM PANEL

These findings come from the April 2019 fielding of our DHM Panel. The survey was conducted from April 18–26, 2019, and surveyed 568 Oregonians. The results were weighted by age, gender, area of the state, political party, and level of education to ensure a representative sample of Oregon voters. The margin of error for this survey is $\pm 4.1\%$.

DHM Panel participants are recruited randomly through telephone surveys. About once a month, panelists are invited by email to take surveys about current affairs.

**DHM Panel
Taxes and PERS**

**Oregon registered voters
N=568; margin of error ±4.1%
April 18-26, 2019**

PERS

The Public Employee Retirement System, or PERS, manages a retirement program that covers nearly all state, school, and local government employees in Oregon. Currently, governments pay an average of 25 cents on top of each dollar of employee salaries for PERS pension benefits—double what the rate was six years ago.

This increase is due to the fact that the PERS fund is currently \$26.6 billion short of what it needs to pay the benefits owed to current and future retirees. Over the next eight years, school districts, cities, counties, and state agencies will spend an additional \$10 billion from their budgets in payments to the PERS fund if no changes are made. To pay these costs, government agencies will need to increase taxes or reduce services.

Below are some options that have been suggested to address these PERS costs. Please let us know if you support or oppose each of the following options.

Response category	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose	Don't know
1. Make no changes to PERS and increase taxes to provide the extra funding needed to cover the PERS debt.	7%	21%	20%	47%	5%
2. Make no changes to PERS and reduce costs elsewhere to provide the extra funding needed to cover the PERS debt.	9%	28%	28%	31%	4%
3. Make changes to PERS to reduce the system's costs for governments in the future but protect all retirement benefits earned to date by employees.	37%	40%	13%	6%	5%

Below are some options that have been suggested to require employee contributions to the PERS pension plan or a new plan. Please let us know if you support or oppose each of the following options.

Response category	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose	Don't know
4. Replace the current PERS system with a new "defined contribution" system—like a 401(k) plan—where employees and government would each contribute 6% of employees' salaries, for a total of 12%.	30%	42%	9%	10%	9%
5. Keep the current PERS system and require all government employees to contribute 6% of their salaries to help pay for their pension benefits, as was required prior to 2004.	23%	45%	13%	9%	10%
6. Give employees the choice of enrolling in either a 401(k)-style plan or PERS, but not both. Each option would require an employee contribution of 6%.	25%	41%	13%	12%	10%

Below are some options that have been suggested as additional steps if employees are required to contribute to the PERS system. Please let us know if you support or oppose each of the following options.

Response category	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose	Don't know
7. Require that all savings to PERS from employee contributions are used to improve government services.	9%	28%	17%	23%	23%
8. Guarantee that there will be no additional changes to PERS pension benefits as long as employees are contributing to those benefits.	18%	41%	17%	10%	15%
9. Allow employees with lower benefits or lower salaries to pay less into PERS, while requiring employees with higher benefits or higher salaries to pay the full 6%.	17%	36%	19%	19%	10%

Response category	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose	Don't know
10. Allow governments to pay employee contributions into the PERS pension plan on behalf of their employees in exchange for lower salaries.	5%	37%	23%	21%	13%

DEMOGRAPHICS

These last questions are for demographic purposes only. Your responses are confidential

11. What is your zip code? (**Open**)

12. In what year were you born?

Response Category	n=567
18-44	33%
45-64	37%
65+	30%

13. With which of the following gender identities do you identify? Check all that apply.

Response Category	n=568
Male	47%
Female	52%
Non-binary or gender non-conforming	1%
Trans	1%
Other	1%

14. With which of the following races of ethnicities do you identify? Check all that apply.

Response category	n=551
Asian or Pacific Islander	2%
Black or African American	2%
Hispanic or Latino	4%
Native American or American Indian	6%
White or Caucasian	93%
Other	7%

15. What is your party registration?

Response Category	n=565
Democrat	39%
Republican	32%
Independent Party of Oregon	4%
Registered with some other party	7%
Not registered as a member of a party (non-affiliated voter)	18%
Not registered to vote	--

16. When it comes to politics and elections are you?

Response Category	n=553
Very liberal	22%
Somewhat liberal	24%
Middle of the road	21%
Somewhat conservative	23%
Very conservative	10%

17. What is the highest level of education you have received?

Response Category	n=550
High school diploma or less	9%
2-year degree/some college/trade	49%
4-year degree	21%
Graduate degree	21%

18. What was your total household income for 2018? Remember to include everyone and your best guess is okay.

Response Category	n=533
Less than \$25,000	11%
\$25,00–\$49,999	15%
\$50,000–\$74,999	25%
\$75,000–\$99,999	18%
\$100,000–\$149,999	21%
\$150,000 or more	9%