

# How Public Pension Liabilities Are Becoming Public Threats

In most states, people tend to worry about things like education or the economy. In Oregon, public pensions are suddenly at the forefront of political discussions. Why? Because the Public Employees Retirement System (PERS) in Oregon is more than \$25 billion in the hole. Of course, Oregon is hardly the only state deep in the red.

California's CalPERS unfunded liability is [more than \\$333 billion](#). In case you're not sure what an unfunded liability is, it's the amount a state owes public retirees but doesn't have the money for.

I recently finished a two-month research project with State Representative Mike Nearman (R-Independence) in the Oregon Legislative Assembly to figure out how to explain what's going on to the voters. While PERS is at the forefront of the minds of those "in the know," most voters can't explain how Oregon's problem got so bad or what is even being done about it. That's where I came in; Rep. Nearman wanted information for a video to explain this to voters.

## Why Pensions Are Out of Control

Part of the problem in Oregon is how apathetic lawmakers have become. In 1994, voters narrowly approved Measure 8, which required anyone accumulating a public pension to pay 6 percent of their income towards it. The Oregon State Police Officers Association took it to the Oregon Supreme Court, which cited the contracts clause in the U.S. Constitution and struck Measure 8 down in 1996. There was a dissenting Justice who felt this was an abuse of power. After all, every judiciary in

Oregon receives a pension through PERS.

Perhaps the main issue with PERS isn't the fact that the state's Supreme Court won't let anything happen retroactively. It's the sheer amount some beneficiaries collect.

More than 2,000 retired workers receive more than \$100,000 per year in benefits. In several cases, retirees are making more than they ever made while employed. Most voters typically blame state workers, but a simple (if extensive) Google search reveals a different issue. Of the top 100 paid beneficiaries, most of them retired from higher education institutions. Of those retirees, most of them retired from the Oregon Health & Science University (OHSU).

Some of these Cadillac pensions pay tens of thousands per month. The top pension pays \$76,000 per month. There are [more than 700 people](#) who receive at least \$10,000 per month. For perspective, wage statistics show that about [half of the American labor force makes \\$30,000 or less](#) per year. For a blue state that claims to care about income inequality, many are defending the very system exacerbating the issue.

There were three pension bills passed in the Oregon Legislative Assembly in 2018, but they do little to address Oregon's pension liabilities.

## Other States Have Similar Issues

Seeing how Oregon's problem is largely due to higher education pensions, one might assume other states have similar issues. After all, there are more than 30 public four-year institutions in California.

According to the Heritage Foundation, public pension unfunded liabilities across the country total [\\$6 trillion](#)—some \$50,000 for every household in the U.S.—with Tennessee having the lowest per-capita unfunded liability and Alaska having the

highest. This is certainly alarming considering [our nation spends more on taxes than food and clothing combined](#).

If this problem is not soon addressed, we could face severe consequences.

Oregon is already facing ramifications from its PERS unfunded liability, among them the ability to properly staff public safety departments. *The New York Times* recently [covered these consequences](#), which include the Josephine County Sheriff's Office taking two hours to respond to a report of gunfire on a school property, unsafe bridges, and a severely underfunded education system.

How much are these pensions stressing the education system in Oregon? High school students receive [one year less of instructional time](#) than neighboring students in Washington.

These are consequences that sound quite alarming, dystopian even. But they are harsh realities other states already face and many more could soon face.

Why, then, are public pensions not the top priority in gubernatorial elections? The [Los Angeles Times lamented in January](#) that Democrats running for governor are spending too much time talking about Trump and not enough time talking about CalPERS, the California public pension system. "Any real solutions make too many enemies," George Skelton, author of the lamenting article, pointed out.

Perhaps that's why Oregon's lawmakers have become so apathetic towards the issue.

We can only hope that the courts can come to their senses and rule in a way that benefits everyone, not just pension recipients.

*This [article](#) has been reprinted with permission from the Foundation for Economic Education.*

—

[Image Credit: [Pexels](#), [Creative Commons](#)]