

# HOUSE COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM

February 13, 2003 Hearing Room E  
3:00 PM Tapes 18 - 19

**MEMBERS PRESENT:** Rep. Tim Knopp, Chair  
Rep. Deborah Kafoury, Vice Chair  
Rep. Jeff Barker  
Rep. Tom Butler  
Rep. Greg Macpherson  
Rep. Mary Nolan  
Rep. Dennis Richardson  
Rep. Wayne Scott

**MEMBER EXCUSED:** Rep. Alan Brown, Vice Chair

**STAFF PRESENT:** Cara Filsinger, Administrator  
Annetta Mullins, Committee Assistant

**MEASURE/ISSUES HEARD:** HB 2008 – Public Hearing  
HB 2020 – Public Hearing  
HB 2343 – Public Hearing  
HB 2004 – Work Session

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These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

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<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
<b>Tape 18, A</b>		
003	Chair Knopp	Calls meeting to order at 3:09 p.m. and opens public hearings simultaneously on HB 2008 and HB 2020.
<b><u>HB 2008 and HB 2020</u></b>		
012	Jim Green	Oregon School Boards Association and speaking for the PERS Employer Coalition: the Special Districts Association, League of Oregon Cities, Association of Oregon Counties, and the Oregon School Boards Association. Speaks in support of the proposed HB 2003 introduced earlier this week.
034	Green	Lists parameters for a successor system to PERS ( <b>EXHIBIT A</b> ).
071	Green Chair Knopp	Continues listing parameters of a successor system. Recognizes the presence of students from Sisters High School. Announces amendments for HB 2004 have been received but not reviewed, and that they should be available for distribution Friday or Monday.
087	Chair Knopp	Recognizes the arrival of Rep. Jenson, recesses the public hearings on HB 2008 and HB 2020 and opens a public hearing on HB 2343.
<b><u>HB 2343 – PUBLIC ;HEARING</u></b>		
093	Rep. Bob Jenson	District 58. Explains that this is his second attempt to resolve a problem in his district. Explains why he has introduced HB 2343.
160	John Smallman	Explains that he was appointed to a district court judge position July 1, 1980 and funds were held out from his paycheck until the end of the year. Explains efforts attempting to withdraw his money from his PERS account. Explains that private employers

cannot keep an employee's money.

199 Rep. Jenson Adds that he believes that PERS received an attorney general opinion that the bill that transferred the old system to the current PERS system didn't do what they thought it would do.

222 Steve Delaney PERS Legislative Liaison. Gives history of judges' fund being separate from PERS (**EXHIBIT B**). States that there were no directions to credit funds to the account in the legislation that moved the account. States that this bill takes care of the 14 dormant judge accounts. Explains language in line 19, page 2.

281 Jim Voytko Executive Director, PERS. Comments on language in statutes. States that they would not award retroactive money because money since 1991 has been allocated to other accounts.

315 Rep. Butler Questions if there are other dormant accounts that have resulted from modifications and changes throughout the years.

341 Voytko Comments on other inactive accounts because they were not vested.

Rep. Butler Asks how many dormant accounts there might be.

Voytko Responds it is a substantial number of accounts but not a substantial amount of money.

Rep. Butler Comments on new computer system that will allow these kinds of issues to be determined.

398 Rep. Butler Comments that the dormant accounts are not doing anybody any good.

Voytko Responds they periodically try to find people; there is \$25 million or \$30 million in the accounts.

Rep. Butler Comments he thinks the interim task force talked about the "dead letter" accounts.

435 Steve Delaney PERS. Comments that the interim committee discussed charging a fee for trying to locate the owners of the accounts.

Chair Knopp Comments that the fee bill has been proposed but does not believe it includes the fee being discussed.

Chair Knopp Comments that when other state agencies have property of a person, they normally move it to the Common School Fund in the Division of State Lands (DSL). Asks if that happens with the PERS accounts.

Voytko Responds that it does not happen at PERS; other agencies do not have moneys that are in trusts. Comments on fiduciary responsibilities.

**TAPE 19, A**

023 Rep. Macpherson Asks if the assets in the dormant accounts have been invested, and if the assets have been invested, what has happened to the earnings.

Voytko States that the assets have been invested as have all dollars in the fund. The earnings are allocated through the 44 provisions in the statute; the earnings essentially go to other accounts.

Delaney Comments that the \$122,000 would have earned approximately \$390,000 over this period.

044 Rep. Macpherson Asks if there is a mechanism for taking the \$390,000 out of current earnings.

Voytko States that the decision would be up to the legislature but it would be taking money from one generation to pay another.

062 Rep. Macpherson Asks what staff would do if they were acting under the statutory language in HB 2343.

	Voytko	Responds that one interpretation is that all earnings on these accounts are zero because that is what is provided by the existing statute.
	Delaney	States an interpretation could be those dollars pre-1991 that came to PERS in 1991 were a combination of deductions and earnings. They would be returning those deductions and earning. States that the question is whether the language in the bill means an accrual of additional earnings from 1991 forward.
072	Voytko	States this is the why they are seeking clarification—whether PERS is being asked to provide the earnings that would have accrued to this account since 1991, and if so, is it the explicit desire of the legislature, and how does PERS get the money.
071	Macpherson	Asks what would have happened to the dollars under the terms of the judge’s retirement under which they were deducted from pay.
	Delaney	Explains the transition of judge accounts to the current system in 1991.
	Delaney	Explains that had active accounts been set up for the judges, an additional \$390,000 would have accrued to this date to the total \$122,000.
103	Rep. Nolan	Comments that the committee should consider handing the dormant accounts over to DSL.
113	Rep. Barker	Asks if it would be better if employees take their money when they leave if they are not vested.
	Delaney	States there was no such provision in the statute to refund these moneys.
	Voytko	Explains that if someone currently wants their money, they can have it.
	Rep. Barker	Asks if the legislature can clean up the language.
134	Voytko	Responds that it would make things easier by lowering record keeping over time. States that the statutory opportunity for a person to keep their money in the fund for up to five years earning interest is part of the plan structure.
154	Rep. Butler	Comments that the committee needs information from Counsel because he would not want this act to create additional contract rights or income to those accounts.
173	Chair Knopp	Closes the public hearing on HB 2343 and reopens simultaneous public hearings on HB 2008 and HB 2020.

**HB 2008 AND HB 2020 – PUBLIC HEARINGS**

199	Jim Green	Oregon School Boards Association, representing the PERS Employer Coalition. Resumes testimony on parameters of a successor plan to PERS ( <b>EXHIBIT A</b> ).
230	Green	Continues to list provisions of a successor plan.
289	Green	States that a new system should be separate from the current plan, have a separate set of statutes, and be easily explainable to both employers, employees and taxpayers, as well as provide cost affordability for employers, taxpayers, and provide stability for employees.
314	Green	Comments that he will provide the committee with their comments.
294	Chair Knopp	Asks if a defined benefit plan could provide a predictable cost for employers.
	Green	Responds affirmatively. Adds that the devil will be in the details

		of how a system is created. Adds that a defined contribution could also provide affordability, depending on bells, whistles, limitations, etc. that could be put into the plan.
	Chair Knopp	Asks if their coalition is open to either a defined benefit or defined contribution plan.
	Green	Responds that they hope to make that decision within the next couple of weeks. States that it depends on what is put in the plan.
310	Chair Knopp	Asks if they think the system as a whole should not have disability.
	Green	States that this is a retirement system, not a disability system. Comments on costs associated with disability payments.
334	Rep. Barker	Asks if health insurance is provided.
	Green	Explains provisions for insurance coverage for retirees.
358	Rep. Richardson	Asks Green to address retirement for part time employees.
	Green	Responds that he believes employers should decide if they want to include part-time or seasonal employees.
	Rep. Richardson	Asks for explanation of disability benefits of young person.
	Green	Responds that qualifications that need to be met are in ORS 238.320.
392	Rep. Richardson	Asks for clarification of insured and dependent benefits under two policies.
	Green	Responds that it depends on the coverage.
	Voytko	Explains that health insurance is covered by the Public Employee Benefit Board (PEBB). Explains there is a \$60 subsidy toward the cost of the health insurance premium for the Medicaid Plus insurance that PERS administers. Comments on the fund for insurance subsidy.
475	Green	Comments that community colleges have opted out and pay a higher rate.
482	Rep. Richardson	Asks if they must opt out at the time a new plan is implemented or would it be at any time in the future.
	Green	Comments on employers being able to opt out of the successor plan.
<b>TAPE 18, B</b>		
008	Rep. Barker	Asks if Green thinks it would be proper to have “an equal to or better than” clause for people opting out so the employees would know they have a pension system.
	Green	Responds that that would only apply to police and firefighters if they have a separate plan for police and firefighters. Adds that if they have their own plan, the clause would go away.
	Rep. Butler	Asks if the OSBA has considered establishing a separate plan.
	Green	Explains that some employees are hesitant to join another plan, some would prefer to not join the state system.
043	Rep. Butler	Comments that schools and community colleges have been mandated to be in PERS.
	Rep. Richardson	Asks if the state were to bargain for all the schools if it would save money.
	Green	States they oppose state-wide negotiations.
045	Rep. Richardson	Comments that school boards are responsible for contract negotiations but have no say over the system.
	Green	Responds, commenting on budgeting process by school districts.

	Leslie Frane	Service Employees International Union, Local 503 (OPEU). Reads statement in support of creation of a new system for new hires with parameters <b>(EXHIBIT C)</b> .
143	Frane	Continues reading statement.
200	Frane	Continues reading statement.
245	Pat West	Oregon State Firefighters. Explains retirement issues related to firefighters. Explains their proposal for a new system.
305	Rep. Macpherson	Asks Frane if proposed replacement ratios would include an employee contribution that would be picked up.
	Frane	Responds affirmatively.
	Rep. Macpherson	Asks if a new system were created for new hires that required no employee contribution, entirely employer paid, so the employees could use that six percent for other benefits, perhaps for a defined contribution savings, perhaps a 403B or other kinds of savings, would that change their perspective on a replacement ration for the defined benefit portion.
	Frane	States they would not want to go that way and are very committed to the core defined benefit approach, regardless of who pays the six percent contribution. Their desire is to put all the available dollars in the base pension plan.
356	Rep. Richardson	Asks if Frane feels it is fully responsible to have a new plan that sets up the employer to carry the full responsibility when markets are volatile.
	Frane	Comments on a straight defined contribution plan and states there is no risk to the employer.
	Rep. Richardson	Comments that in the discussion with Rep. Macpherson of a combination plan, it was also not acceptable.
	Frane	Responds that is correct. Explains that their belief is that shared risk makes sense in the context of a level playing field.
		Comments on impact of risks to employees and employers.
<b>TAPE 19, B</b>		
018	Rep. Barker	Comments on going to a national conference on public employee retirement system where he heard that 96 percent of public employee retirement systems are defined benefit and only four percent are defined contribution systems. Asks if those percentages have changed.
	West	Responds that a few local jurisdictions have gone to a defined contribution plan and have started the process of converting back to a defined benefit plan.
	West	Comments on the evolution of the definition of “police and firefighter” and they now know who is in and who is out.
031	Chair Knopp	Asks why employees should not have a choice between a defined benefit and a defined compensation system. Gives examples of employees retiring and changing employment status.
	Frane	Comments on the PERS system accommodating the short-time employee and states that is one does need necessarily to have a defined contribution component in order to have a cash-out option for the short-term employee. Comments on young employees not contributing to their retirement if they have a choice not to.
077	Chair Knopp	Advises that additional opportunity will be provided for testimony, and closes the public hearings on HB 2008 and HB 2020.

Chair Knopp  
**HB 2004 – WORK SESSION**

Chair Knopp  
095 Chair Knopp

Opens work session on HB 2004.

Acknowledges receipt of prepared statement from Bill Gary relating to the Internal Revenue Code (**EXHIBIT D**).  
Adjourns meeting at 4:42 p.m.

**EXHIBIT SUMMARY**

- A – HB 2008 & HB 2020, retirement system proposal, Jim Green, pp**
- B – HB 2343, background information, PERS staff, 1 p**
- C – HB 2008 & HB 2020, retirement system proposal, Leslie Frane, 3 pp**
- D – HB 2004, letter re Internal Revenue Code, Bill Gary,**