

HOUSE COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM

February 18, 2003 Hearing Room E
3:00 PM Tapes 20 - 21

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

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

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

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.

<u>TAPE/#</u>	<u>Speaker</u>	<u>Comments</u>
Tape 20, A		
003	Chair Knopp	Calls meeting to order at 3:07 p.m. and opens a work session for bill introductions.
<u>INTRODUCTION OF COMMITTEE BILL – WORK SESSION</u>		
010	Rep. Brown and Rep. Nolan	MOTION: Move LC 1752 BE INTRODUCED as a committee bill.
11	Chair Knopp	VOTE: 8-0-1 EXCUSED: 1 - Rep. Kafoury Hearing no objection, declares the motion CARRIED.
	Chair Knopp	Opens a work session on HB 2004.
<u>HB 2004 – WORK SESSION</u>		
015	Chair Knopp	Advises that amendments on HB 2004 have been received. The HB 2004-6 (EXHIBIT A) is a replacement of HB 2004, and HB 2007-7 is a preamble (EXHIBIT B).
024	Dave Heynderickx	Explains HB 2004-6 amendments (EXHIBIT A).
132	Heynderickx	Continues explanation of Section 4 (EXHIBIT A, page 2).
194	Heynderickx	Explains Section 4 (3) (EXHIBIT A, page 3).
212	Heynderickx	Explains Section 4 (4) and (5) (EXHIBIT A, page 3).
231	Heynderickx	Explains Section 4 (6) (EXHIBIT A, page 3).
258	Rep. Butler Heynderickx	Asks why the tables would only change every two years. Responds that the mortality tables seldom change on a two-year basis.
	Rep. Butler	Asks why we are selecting the prospective date of July 1, 2003 since the Lipscomb decision was October 7, 2002.
297	Heynderickx	Responds it is a policy question.

	Chair Knopp Rep. Butler	Explains why the July 1, 2003 date was chosen. Comments that if the mortality tables are not changing, there is not a lot to worry about except that we are replacing a 20-year old mortality table. It is a concern, financially.
318	Rep. Butler Heynderickx	Asks if Section 4 (6) is bestowing an extra right or benefit to the judge members. Comments that his understanding was to have, as much as possible, the same rules for all PERS members. Section 4 (6) would say the same rules apply to judge members to the extent they can be made to work as far as the look-back provision. Comments on the look-back provision.
383	Chair Knopp Rep. Butler Chair Knopp	Comments that the dollar savings are in the earnings into the future. Asks if the amendments include an expediting clause. Responds that the HB 2004-2 amendment includes the expediting clause (EXHIBIT C). Adds that he does not plan to move on the bill today.
435	Rep. Macpherson Rep. Macpherson	Comments that the proposed HB 2004-6 amendments prevent the brain drain because with the language they will never get less by staying in the positions. Ask if the language in lines five and six on page 2 of the HB 2004-6 amendments limits the effect of the look-back to the money-match conversion from an account balance to a life annuity, or does it introduce it into other conversions in alternative benefit forms.
474	Heynderickx	States the language is addressed to the standard retirement allowance calculation, as well as the alternate retirement allowance calculations, which involve such things as payments for life and for the spouse's life thereafter.
TAPE 21, A		
005	Heynderickx	Adds that the intent is to cover all the scenarios as far as retirement allowance is concerned.
010	Rep. Macpherson Heynderickx	Asks if it is more favorable to use the old tables when making other kinds of conversions, or is it the process of converting from an account balance under the money-match to a life annuity that has the inherent overstatement of the benefit when using an out-of-date mortality table. Responds he does not think there is anything inherent in the conversion. States that he doesn't think the mortality table makes much difference in the calculation of the benefit. It does come into play when converting to any other option that involves life expectancy. Comments on how calculations are made.
036	Rep. Macpherson Heynderickx	Asks if the look-backs were limited solely to the purpose of converting from an account balance to an annuity under the money match, would the references to judges be unnecessary because they don't have the money match. States that he will have to think about the question and that he would like to have it work on a transparent basis for everyone.
047	Rep. Nolan Heynderickx	Asks if January 1, 2005 date is the end of the look-back period. Responds, no. The intent is to say that until a person's benefit has grown to a point where it is pushed up with the new mortality tables and what the person would have received in June 2003. That is why subsection (4) saying they do not have to do

		it forever is needed.
	Rep. Nolan	Asks if they have anticipated a look-back provision in subsequent adoptions of mortality tables. Suggests it may be something that the committee wants to put in statue going forward—that whenever the Board adopts new mortality tables, they are directed to do the same kind of “smoothing” to avoid future rushes to the door.
	Heynderickx	States that as drafted, the look-back is only for the implementation of the tables starting in July 2003. It does not provide a similar look-back for subsequent changes to the mortality tables.
	Chair Knopp	Comments he does not think there is any doubt that will be an issue because if the tables are updated every two years, the differences would be nearly negligible.
101	Rep. Richardson	Asks if the mortality provisions provide for people living fewer years.
	Heynderickx	Responds affirmatively and comments on the effects of new tables.
110	Rep. Barker Heynderickx	Asks what the life expectancy might increase by one month Responds he does not know but there was a fairly large increase over the last 10 years or so.
138	Jim Voytko	Executive Director, Public Employees’ Retirement System. States that the look-back is targeted to the particular problem of today—the unusually large gap between the 1978 and 2000 tables. States that updating mortality tables every two years would not cause the gap.
166	Chair Knopp Voytko	Asks when the fiscal impact data might be ready. Responds he does not know when they will be able to produce the figures, but the figures will be very close to those discussed for an effective date of January 1, 2003 with the exception that a number of people will have retired between January 1, 2003 and July 1, 2003. Those people will go out under this legislation under the old tables. Adds that he does not anticipate a drastic change in the fiscal estimates.
	Chair Knopp	Asks if it is accurate that approximately 2,500 of the approximately 40,000 people who could retire today have retired.
	Voytko	Responds that as of yesterday, close to 3,000 have set retirement dates for the calendar year 2003; approximately 500 of those have been transacted and the remaining are being transacted or have selected dates of April or May.
	Chair Voytko	Asks if Voytko can make a projection as to how many retirements there might be in the next four month period.
	Voytko	Responds it would not be prudent for him to project a number. Adds that it is not inconceivable there could be 6,000 or more by the effective date.
214	Rep. Macpherson	Asks if the look-back were limited to the function of conversion from an account balance to an annuity benefit under the money match, whether that would significantly simplify the implementation of the look-back by the PERS agency.
	Voytko	States that the short answer is yes. Explains their thoughts when they read the bill.
252	Rep. Richardson Voytko	Asks when the PERS Board will meet again. Explains purpose of PERS Board meeting on February 25.

	Rep. Richardson	Asks if Voytko could suggest that the PERS Board adopt the tables effective July 1, 2003.
	Voytko	Comments that he will relay any message to the Board. States that if the Board approves its policy vote of a month ago, the mortality table would start to be applied on January 1, 2004. Adds that he is concerned about expedited treatment. Explains his concerns.
331	Chair Knopp	Comments on court actions and expedited review.
	Voytko	Comments on the Board moving ahead because there are no new directives from the legislature at this time.
	Rep. Richardson	Comments it would be useful in drafting clean and concise legislation if the track of the PERS Board and the legislature were the same.
360	Heynderickx	Explains that any new legislation would trump the rules of the PERS Board.
	Voytko & Heynderickx	Discuss expedited appeal to the Supreme Court.
	Voytko	States that if the legislature has not acted and the Board acts on February 25 and files the rule with the Secretary of State, those people who would take issue with the Board's proposal one way or the other and they see no trumping direction coming from the legislature, will be compelled to file.
	Heynderickx	States that the bill that passed during special session was not an exclusive review provision; it was a way for people to file a quick review. It did not mean the rule could not be challenged by other mechanisms.
432	Chair Knopp	Asks if people who are getting ready to retire should be able to breathe because of the direction the committee is headed.
	Voytko	Responds he cannot be sure. States he has observed in meetings with his staff the flow of questions. The concerns seem to stretch beyond the details of how their calculations will be treated to concerns that would be alleviated by this. One fear is that their benefit would be reduced in nominal terms by a mortality table change. States that if this proposal were to pass, his agency would make an aggressive effort to reach out to members to make sure they don't file for retirement unless that is exactly what they want to do.

TAPE 20, B

026

	Chair Knopp	Asks if Mark Johnson has given a new estimate to the Board.
	Voytko	Responds that the information provided on January 27 was on the scaled down version and he is not aware of any new estimate that has been made by Mark Johnson. Explains that in order for Johnson to make an estimate he must estimate how many people retire under the old factors in order to calculate an actuarial fiscal estimate.
	Chair Knopp	Advises that the actuarial reduced liability for an effective date of January 1, 2003, with no look-back, was \$1.6678 billion. Thinks the closest thing the committee would be looking at would be a January 1, 2004 lookback without interest. Asks if the new figure will be somewhere in between the numbers.
	Voytko	Responds that is what he believes. Explains variables and states

		he thinks the savings would be at least \$1.46 billion and maybe more.
053	Rep. Butler	Comments that he wants to be sure this would not bestow any additional rights on existing employees or classes of employees. States there are many classes of members. Comments on the look-back provision and money match provision.
	Heynderickx	Explains that both are a form of money match calculation. Explains the differences and methods of calculations. States that language in line 25 on page 2 of the H 2004-6 amendments is the money match calculation
088	Rep. Butler	Comments he wants to make sure there are no additional benefits provided to any employee or class of employees.
	Voytko	Comments he has never heard there would be any additional benefits, and comments on methods of calculations and effective dates.
113	Rep. Richardson	Questions language on judges in Section 4 (6) of the HB 2004-6 amendments (EXHIBIT A) .
	Heynderickx	Explains why the language is in there.
140	Chair Knopp	Explains that he will allow testimony at the meeting on Thursday. Closes work session on HB 2004 and opens a public hearing on HB 2008.

HB 2008 – PUBLIC HEARING

	Chair Knopp	Enters into the record correspondence received from Henry Kane (EXHIBIT D) .
172	Chair Knopp	Closes the work session on HB 2008 and adjourns meeting at 4:19 p.m.

EXHIBIT SUMMARY

- A – HB 2004 – HB 2004-6 amendments, staff, 3 pp**
- B – HB 2004, HB 2004-7 amendments, staff, 2 pp**
- C – HB 2004, HB 2004-2 amendments, Rep. Knopp, 2 pp**
- D – HB 2008, correspondence, Henry Kane, 5 pp**