

HOUSE COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM

February 25, 2003 Hearing Room E
3:00 PM Tape 24

MEMBERS PRESENT: Rep. Alan Brown, Vice-Chair
Rep. Jeff Barker
Rep. Greg Macpherson
Rep. Mary Nolan
Rep. Dennis Richardson
Rep. Wayne Scott

MEMBER EXCUSED: Rep. Tim Knopp, Chair
Rep. Deborah Kafoury, Vice Chair
Rep. Tom Butler

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

MEASURE/ISSUES HEARD: HB 2008 – Public Hearing
HB 2020 – Public Hearing

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 24, A		
003	Vice Chair Brown	Calls meeting to order at 3:07 p.m. and opens public hearings on HB 2008 and HB 2020.
<u>HB 2008 AND HB 2020 – PUBLIC HEARINGS</u>		
018	Joe Bauman	Seattle Office, TIAA-CREF. Presents statement relating to an alternative retirement plan (EXHIBIT A).
075	Bauman	Continues presentation of statement (EXHIBIT A, page 3).
096	Rep. Barker	Comments on portability of employee retirement plans. Ask how an employee is to know how to choose the proper investment.
	Bauman	Comments on advice and assistance provided by their company.
	Rep. Barker	Asks what the guarantee is and how it is different than PERS.
	Bauman	Explains options for employee investments.
140	Rep. Richardson	Asks why it would be better to go with their company than stay with an in-house administered plan.
	Bauman	Comments on enrollment success at Oregon University System (OUS) and states it could be offered as a choice.
158	Rep. Barker	Asks Bauman to comment on the success at OUS.
	Bauman	Comments on percentage of employees at OUS and Oregon Health and Sciences University (OHSU) enrolled in their plan.
	Rep. Richardson	Asks why employees in the TIAA-CREF plan benefited as compared to those who elected to enroll in PERS.
	Bauman	Responds the employees have benefited from the ability to develop an investment format for themselves based on whether they want stock, bonds, fixed income—having their own account that they control. They know if their career changes and they

		decide to move on, they can take the account balance with them. Adds that mobility is something they are seeing in all categories of employment.
	Rep. Richardson Bauman	Asks why TIAA-CREF and not some other plan. Responds their rates of return have been within the range of equity and bonds. They balance the account with fixed accounts, and they allow employees to make changes if they need to— transfers between funds are allowed.
203	Karen Elinski	Senior Counsel, TIAA-CREF, Government Relations. Explains their plan is competitively bid. States they have provided criteria for a process to select vendors (EXHIBIT A, pages 5-10) .
	Bauman	States that TIAA-CREF means Teachers Insurance Annuity Association-College Retirement Equities Fund.
	Vice-Chair Brown	Asks what the performances of the plans have been over the last five or six years.
	Bauman	States they have been in most cases above average but it depends on the time period. Currently, it could be different from one month to the next. They have been very competitive through the years. TIAA has been around since 1918 and CREF since 1952.
247	Rep. Macpherson	Asks what categories of employees in PERS are eligible under the tax rules to be covered by a tax sheltered annuity offered by TIAA-CREF.
	Bauman	Explains that to be in a tax sheltered annuity, one must be employed by an educational institution. All other public employees who wish to defer money on their own and get the tax benefit of putting the money in pre-tax and have it grow tax deferred, would use the Section 457 plan, which is available in Oregon.
	Rep. Macpherson	Asks if the optional retirement plan Bauman is describing is a 457 plan as well. or only a tax sheltered annuity, called a 403B.
	Bauman	Responds that both plans are structured under Internal Revenue Code (IRC) 4, 1a, the section that is typically used for qualified retirement plans. States that the 403B is separate and different.
	Rep. Macpherson	Asks what their plans consist of.
	Bauman	Responds that they do not care what section of the IRC the plans are under. States there are reasons for doing a number of things. States that 403B plans are always used for voluntary savings for educational employees. Comments on history of OUS and OHSU plans.
	Rep. Macpherson	Asks if TIAA-CREF could provide an optional retirement plan to any member of the PERS system, whether they work for an educational institution or not.
300	Bauman	Responds yes, they can offer their services to any governmental employee.
	Elinski	States they can also offer their services to any non-profit organization.
310	Rep. Barker	Comments he is really concerned about retirement benefits of cops, firefighters, and teachers in Oregon and it would take some convincing for him to think a defined contribution plan would be a good answer.
	Bauman	Responds that defined contribution plans, if funded at appropriate levels, can do that. States they work with employees all the time who are retiring and their defined contribution plan

346	Rep. Barker	is replacing 75-85 percent of their salary, and sometimes in excess of 100 percent. Comments he is concerned about pensions and having everyone retire with dignity and spending ability to keep the economy strong.
	Bauman	Comments on information provided and choices by employees at OHSU and OUS.
390	Vice-Chair Brown	Closes the public hearings on HB 2008 and HB 2020 and adjourns meeting at 3:32 p.m.

EXHIBIT SUMMARY

A – HB 2008 and HB 2020, prepared statement, Joe Bauman and Karen Elinski, 10 pp