

HOUSE COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM

March 13, 2003 Hearing Room E
3:00 PM Tapes 31 - 32

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 2401 – Public Hearing and 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.

TAPE/#	Speaker	Comments
Tape 31, A		
003	Chair Knopp	Calls meeting to order at 3:14 p.m. and opens a public hearing on HB 2401.
<u>HB 2401 – PUBLIC HEARING</u>		
014	Bob Livingston	Oregon State Firefighters Council. Asks for legislative intent of "extraordinary costs" when a member requests estimated benefits. Comments on inadequacy of PERS computer system and states that some calculations must be done by hand. States he would assume members would not be charged for estimates because of the technological situation.
	Chair Knopp	Comments that it is his understanding that the decision would be made by the PERS Board. Asks that Jim Voytko comment.
031	Jim Voytko	Executive Director, Public Employees' Retirement System (PERS). Comments they would not try to punish members for the poor infrastructure for supporting the fund and its administration. Believes they would look to see if the request caused staff to do something out of the ordinary. States it is unfortunate that because of their poor infrastructure, if they were to calculate the full cost of anything, the services are more expensive than they ought to be.
	Livingston	Comments he is comfortable with the response; his point was the infrastructure issues.
055	Rep. Macpherson	Comments on overly frequent requests by members.
	Chair Knopp	Comments that a charge for the fourth request would seem reasonable.
	Chair Knopp	Closes the public hearing and opens a work session on HB 2401.

HB 2401 – WORK SESSION

	Chair Knopp Rep. Butler	Notes fiscal statement on HB 2401 (EXHIBIT A). Asks how there can be a fiscal on a bill that is intended to recoup the costs by the agency. Comments that these costs are on-going and asks where the fiscal is coming from.
111	Dallas Weyand	Legislative Fiscal. The additional fiscal is from updating the manuals, instructions, internal procedures for capturing cost data that has not previously been captured for billing. There is also additional FTE startup for writing communication documents. The impact is not the cost of the work that is currently being done.
	Rep. Butler	Comments that there have already been legislative changes in PERS and manuals will be updated anyway. Asks if the costs in the HB 2401 statement have been prorated with other costs.
	Weyand	Responds negatively. Comments on last paragraph of the statement (EXHIBIT A).
142	Rep. Butler	Comments this seems to be an extraordinary cost. Has concern about expenditure authority to tell folks we are going to be charging them.
	Weyand	Responds that the authority has not been granted.
154	Voytko	Comments that the vast majority of the cost is system design change. States there are other options the agency may pursue to execute this; it may be to do it manually. Adds that the agency does not record the revenues that come in; it is not an offset in their budget. States that the fees do not appear on the fiscal statement.
	Weyand	Explains that they can measure potential revenue. States he believes the agency would be able to put the reimbursement back into the fund.
	Rep. Butler	Comments that Ways and Means has heard testimony relative to charges on accounts. States it is not an unknown practice and it would be handled in much the same fashion; some charges will be offset.
	Chair Knopp Rep. Butler	Asks if the bill should be sent to Ways and Means. States he will leave that to Weyand; the issue will be dealt with in the Ways and Means process.
	Chair Knopp	Notes that the bill does not have subsequent referral to Ways and Means.
	Chair Knopp Weyand	Asks if HB 2401 triggers anything for the cities and counties. Responds that it does not. Adds that the non-referral to Ways and Means would not in any way negatively impact the ability of PERS to come back to the Emergency Board.
213	Rep. Macpherson	Asks if the fiscal analysis is the additional costs that would be spent in developing procedures and forms for collecting the new fees that are being authorized.
	Weyand	Responds it is that, plus reprogramming some of the system.
	Rep. Macpherson	Asks if larger changes are made in the system and there are programming changes going on anyway and the other things that go with implementing a new plan, whether there would be an incremental cost for this change.
	Weyand	Responds they will be looking at all the changes and there may be a different approach; it can be dealt with as part of the bigger changes.
270	Rep. Butler	MOTION: Moves HB 2401 to the floor with a DO PASS

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Chair Knopp
recommendation.
VOTE: 7-0-0
AYE: In a roll call vote, all members present vote Aye.
The motion CARRIES.
REP. BUTLER will lead discussion on the floor.

280 Chair Knopp Closes the public hearing on HB 2401 and opens public hearings on HB 2008 and HB 2020.

HB 2008 AND HB 2020 – PUBLIC HEARINGS

290 Brian Delashmutt Member of negotiating team on successor plan to PERS. States that he will give a report on the progress the group has made without giving specifics on items still outstanding. Lists items of general agreement: general plan design is a defined benefit plan; contributions by both employers and employees; system does not include money match calculation; full formula calculations only under the new system; separate system with new ORS sections; plan is for new hires only and they have talked tentatively about implementation dates; legislators are not in the new system; judges maintain their current system; PERS Board has independent counsel; agreement on full benefit years of service (years required for retirement with full benefits); all employers are in a pool for the new system but there would be different calculations for general service and police and fire; members are vested after five years; employers with multi systems can maintain their choice; death benefit for beneficiary same as in system now; maintain definitions of police and fire; payment options remain the same; local governments with their own retirement system are not forced into a new system.

Tape 32, A
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Delashmutt Explains there are three or four items still unresolved, and there are proposals that need to be priced out so everyone can see the cost savings or additional costs. Believes their charge was to devise a successor plan. They are still exploring options that would provide incentives to employees to move over from existing systems into a new system that has a benefit to the employee individually and at the same time has the benefit of cost savings to the employer.

046 Jim Green Oregon School Boards Association (OSBA) and member of the negotiating team on successor plan to PERS. Notes there would also be updated mortality tables for retirees and survivors.

053 Rep. Macpherson Comments that the proposal on pooling of employers was surprising. Asks how much of an impact that would be on contribution rates of employers.

Green Responds that belief around the table is that if we are going to start a new system for new hires, everyone, except police and fire, would be in the same pool so there won't be a fight about the rate. Explains that there is more stability with pools, and the larger the pool, the greater the rate stability. They would like to have that looked at.

Rep. Macpherson Asks if employers who are currently paying a much lower rate would be in the pool.

Green Respond that OHSU is not at the table, but there have been discussions. Some cities and counties are outside the pool and

		their rates are down because they are pre-funded. Adds that they know that in the current system even new hires will experience some sort of unfunded actuarial liability, which will eat up their forward balance at some point. States that once the decision is made to join the state and community college pool, it is an irrevocable decision.
099	Delashmutt	Comments that the proposal is a design that has one plan but has two rate pools. One is for police and fire, and one is for general service.
	Chair Knopp	Asks if they have talked about a cap or a way to prevent an unfunded liability in a new system.
	Delashmutt	Comments the group has discussed how to stabilize rates in a new plan and how a new plan should be designed so there is not fluctuation up and down. Comments that one of the major drivers of the unfunded liability is the money match and money match is off the table. They believe there is a chance of avoiding big swings and have accepted they have no control over the rates of return.
141	Green	Comments that they are waiting to see pricing on parts of the proposal.
	Delashmutt	Comments that the employees are totally committed to the stability of the PERS system and in the design of a new system.
157	Chair Knopp	Comments that PERS can provide the cost difference on disability and whether it is work-related or off-duty related. Informs participants that the group needs to come to a conclusion.
173	Green	Responds that they hope to have discussion completed by next week and they will either come to an agreement or not.
	Chair Knopp	Asks if PERS staff can have calculations by next week.
	Voytko	Reports it takes 48 to 72 hours to run costs through the actuary model. Explains that to do the calculations they would need a fully specified plan. Comments on costs and provisions.
241	Chair Knopp	Asks that the negotiators provide to PERS staff the plan provisions they have agreed to.
249	Chair Knopp	Announces agenda for Tuesday.
	Rep. Richardson	Comments that the work group's recommendations are only recommendations.
	Chair Knopp	Responds that nobody will approve anything without seeing it and knowing the costs. Comments on unresolved issues by the negotiators.
	Rep. Macpherson	Comments on good efforts by the negotiators and importance of the proposal being developed.
	Green	Comments that the idea of affordability and the expectation that there is some containment of the system has been talked about and was high on OSBA's list. States that there are some school boards that would not support a defined benefit plan.
307	Chair Knopp	Closes the public hearings on HB 2008 and HB 2020.
310	Chair Knopp	Announces agenda for next Tuesday and adjourns meeting at 4:07 p.m.

EXHIBIT SUMMARY

A – HB 2401, Legislative Fiscal Statement, staff, 1 p