

HOUSE COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM

March 20, 2003 Hearing Room E
3:00 PM Tapes 36 - 37

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

MEMBER EXCUSED: Rep. Tom Butler

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

MEASURE/ISSUES HEARD: HB 2003 – Public Hearing
HB 2407 – Public Hearing
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 36, A		
003	Chair Knopp	Calls meeting to order at 3:13 p.m. and opens public hearings on HB 2008 and HB 2020.
<u>HB 2008 AND HB 2020 – PUBLIC HEARINGS</u>		
005	Brian Delashmutt	Reports for the employee/employer negotiating team on progress in developing a successor plan to PERS. Reports there is disagreement with his report that legislators would not be in the new system. Reports on four remaining issues: the 600-hour rule; disability--ability to differentiate between PERS itself and disability for the rates; opt out or opt in new system for the employers; and defined benefit plan including options and sharing responsibility by employee and employer.
145	Delashmutt	Reports they did several cost runs. Comments on resulting rates.
204	Hasina Squires	Special Districts Association of Oregon, Association of Oregon Counties (AOC), Oregon School Boards Association (OSBA), and League of Oregon Cities (LOC). Reports she believes they can reach an agreement on the 600-hour rule. The disability issue is outstanding; it is a big issue for general service and police and fire. Employers feel legislators should be out of the plan; employers call it opting into a new plan.
248	Delashmutt	Submits employees plan on how to deal with the replacement ratio and disability issue (EXHIBIT A). States it is a full run. On third page, the comparison shows several things. Reviews the comparison figures (EXHIBIT A, page 3).

203	Delashmutt	States their plan has few drivers of cost. It does not include sick leave or vacation, it does have COLA. It is a stable plan as far as the rate.
341	Chair Knopp	Thanks the negotiators and states that the committee will continue to work on the outstanding issues. Asks what the system cost was for vacation pay.
	Delashmutt	Responds he does not know what the cost was.
	Beth Ann Darby	Oregon Education Association (OEA). Responds that the PERS Board, at the January meeting, discussed a lot of the components of accrued benefits. Thinks the Board ultimately decided that the administrative cost of tracking items was more than the cost of including them as part of the retirement benefit.
363	Rep. Richardson	Asks if they have looked at the affect on pricing if the amount of hours worked by part-time employees is increased.
	Delashmutt	Responds that it falls within the 600-hour discussion. States that a defined benefit plan includes the final average salary. The part-time employees have a much lower final average salary in the calculation.
	Rep. Richardson	Asks if it would make much of an impact if the number of required hours changes.
	Delashmutt	Responds they did not have discussions about part-time employees and did not cost that piece.
412	Darby	Comments the OEA had discussions about where the 600 hours came from. Comments on hours worked by school bus drivers. They believe the 600-hour rules was to make sure people who were working half time in a school job would be covered if they work their regular schedule.
	Chair Knopp	Recesses the hearings on HB 2008 and HB 2020 and opens a public hearing on HB 2003.

TAPE 37, A
HB 2003 – PUBLIC HEARING

017	Ron Parker	President and CEO of Hampton Affiliates, Chair of the Oregon Business Council (OBC) Public Finance Task Force, and Member of Associated Oregon Industries (AOI) Executive Committee, Testifies in support of HB 2003, stating principles that must be followed in developing a new plan, and consideration of the inadequate reduction in employer contribution rates (EXHIBIT B).
098	Parker	Comments on specific provisions in HB 2003 (EXHIBIT B, page 3).
136	Joe Schweinhart	Associated Oregon Industries (AOI) Testifies in support of HB 2003. The public wants real savings in PERS to help balance the state budget. Action needs to be taken as quickly as possible.
158	Lynn Lundquist	Oregon Business Association (OBA). States that OBA and AOI don't always see things the same but wants today to show the solidarity of the business community on HB 2003. They support HB 2003 because it brings revenue to the table.
186	Rep. Macpherson	Asks if an eight plus percent cost to the employers is the right magnitude.
	Parker	Responds he believe it is reasonable. States their company contribution rate today is seven percent, including the matching to the 401K. Previous employers have had defined benefit plans

- where the contribution toward the plan was eight to ten percent, although based on the extraordinary returns in the stock market some years ago, in many years no contribution was required. Thinks a range of seven to ten percent is reasonable from a private sector perspective.
- 219 Rep. Nolan Comments on perspective of witnesses that PERS members must help balance the budget, and asks what the business community is bringing to the table to help balance the budget.
- Lundquist Comments that OBA is watching with a keen eye waiting for the co-chair's budget because they want to see what that does for Oregon. From the business climate, they cannot afford to let Oregon go beyond certain levels, particularly in public safety, human resources, and education. They will be willing to step up to the plate if they need to be a part of the solution.
- Schweinhart Comments that private business is also suffering. They will look at any proposal to get the state righted; they have the same priority. They think education is very important, we need more revenues, and thinks the state has to level off and move forward. They do not want to do anything that goes backward in the short or long run.
- 264 Parker States he believes the employers and taxpayers have funded a very nice benefit and bad decisions were made and public employees have benefited. The employees should share in the fix or pay the fix.
- 286 Frances Charbonnier McMinnville School Board. Presents prepared statement in support of HB 2003, with exceptions (**EXHIBIT C**).

TAPE 36, B

- Charbonnier Explains that he opposes the six percent employee contribution (**EXHIBIT C, page 2**).
- 081 Charbonnier Continues presentation of statement (**EXHIBIT C, page 3**).
- 130 Doug Smith PERS retiree. States that Section 3 that would eliminate the COLA only for one group is wrong. Questions Section 7 that would eliminate the variable annuity; the PERS benefits everyone is complaining about come from variable annuities and the money match. States that he hopes Section 9 does not mean that Tier I account money will be used to pay the obligations of the employers. Comments on savings presented by previous witnesses, and notes that Legislative Counsel has doubts about using member money to pay for the court decision.
- 180 Chair Knopp Closes the public hearings on HB 2003, HB 2008 and HB 2020 and opens public hearings on HB 3425, HB 3433, and HB 2407.

HB 3425, HB 3433, AND HB 2407 – PUBLIC HEARINGS

- Mary Botkin American Federation of State County and Municipal Employees (AFSCME). Testifies in opposition to HB 3425, HB 3433, and HB 2407. Thinks that taking legislators out of PERS ignores the value of the work they bring and it ignores past and future public service those people may provide to the state, and it eliminates an amazing amount of people from consideration of ever serving in the legislature. Comments on value of elected officials and employees to public service. To ask them to give up significant amounts of their time that accounts toward their retirement is not appropriate and does not save much. Notes that legislators have the right to opt out currently.
- 270 Chair Knopp Comments on why he thinks it is not appropriate for legislators

351	Rep. Macpherson	to be members of PERS. States he is willing to find an alternate retirement plan. Agrees that elected officials have the option of being in PERS because of the concern of conflict of interest. Asks if there is a connection between the public attitude about taking legislators out of PERS and the impulse toward term limits, and what are the effects of term limits and the effects of less continuity in the legislature impacting the political process.
	Botkin	Responds that she does not support term limits and never has.
	Chair Knopp	Closes the public hearings on HB 3425, HB 3433, and HB 2407 and announces agenda for next week.
435	Chair Knopp	Adjourns the meeting at 4:37 p.m.

EXHIBIT SUMMARY

- A – HB 2008 and HB 2020, data run, Brian Delashmutt, 3 pp**
- B – HB 2003, prepared statement, Ron Parker, 5 pp**
- C – HB 2003, prepared statement, Francis Charbonnier, 9 pp**