

HOUSE COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM

March 25, 2003 Hearing Room E
3:00 PM Tape 38

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

MEMBER EXCUSED: Rep. Deborah Kafoury, Vice-Chair

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

MEASURE/ISSUES HEARD: HB 2003 – Public Hearing
HB 2008 – Public Hearing
HB 2020 – Public Hearing
HB 2407 – 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 38, A 003	Chair Knopp	Calls meeting to order at 3:09 p.m. and opens a public hearing on HB 2003.
<u>HB 2003 – PUBLIC HEARING</u>	J. L. Wilson	National Federation of Independent Business (NFIB). Testifies in support of HB 2003. States that HB 2003 is the highest priority for NFIB and for finding revenues for this biennium. HB 2003 has the dual purpose of being a confidence builder in terms of restoring public trust in state government. HB 2003 should be the bare minimum. There is no perceived financial crisis in Oregon in the absence of PERS reform. Of their 12,000 small businesses, the average pays 11 percent payroll taxes for workers' compensation, unemployment, social security, which are associated with every firm. The disparities are health care costs in the private sector. If their members offer health care at all, their costs are about 7-8 percent of payroll. State government's payroll costs with health care are in the double digits, probably 12-15 percent.
	Wilson	States that his members, if they have retirement plans, have simple 401K plans, of which the employer will usually match on average 3-4 percent. The 2001 valuation of the PERS system is 22.48 percent of payroll; one can see where the public and particularly the small business owners think it is obscene. Total payroll costs for a business including payroll taxes, health care, and retirement barely push 22 percent. Forty-five to 50 percent

		of payroll for health care, retirement and associated costs would be detrimental to the private sector.
052	Wilson	The unfunded liability amortization rate of 5.28 of payroll is greater than the typical employer contribution average. The disparities are glaring and HB 2003 gets to the root of the issue and HB 2003 should be the bare minimum. It brings the costs from 22.48 percent to 12.65.
067	Russ Walker	Northwest Director for Citizens for a Sound Economy. Their members include about 12,000 members in Oregon and includes big and small business owners, and public employees and retired individuals. The organization is driven by the issues of smaller government and more responsible government. Echoes comments by Wilson. HB 2003 is the minimum that needs to be done. It has an impact of about \$5 billion on the unfunded liability, about one-third of the way to where we need to be.
	Walker	It is insulting to the working man when he learns how much is spent on retirement for public employees in comparison to what he receives in his life. They are concerned the number only drops to 12.65 percent from 22.48. The move is good but they would like to see it down to where the private sector is. When we are looking for money to fund state government, we should use the money to fix the problems we care about. States that he is shocked to find that people think HB 2003 is not reasonable.
	Walker	States their organization is in favor of fundamental reform that echoes the private sector system that is in line with what PERS was originally set up to do, that is to provide a reasonable retirement for public employees and in the process keeping to the commitments promised to public employees. HB 2003 is the minimum and 12 percent is a bit offensive to his members and most Oregonians.
121	Rep. Butler	Asks Wilson if the PERS contribution rate of 22.48 percent is correct.
	Wilson	Responds affirmatively.
	Rep. Butler	Asks what the employer contribution rates might be for retirement plans of his clients.
	Wilson	Responds that the average simple 401K that is provided by employer members is usually accompanied by a 3-4 percent match by employer; if the employee contributes, the company will match up to three, or four percent.
136	Rep. Butler	Asks how many of the 12,000 members are covered by private plans.
	Wilson	Responds that about seventy-five percent have a retirement plan.
	Chair Knopp	Closes the public hearing on HB 2003. Opens hearing on HB 2008 and HB 2020.

HB 2008 AND HB 2020 – PUBLIC HEARINGS

	Jim Voytko	Executive Director, Public Employees’ Retirement System. Submits prepared statement (EXHIBIT A), outline of companion plans in other states (EXHIBIT B), and overview of major public pension systems (EXHIBIT C).
	Voytk0	Presents statement (EXHIBIT A).
254	Voytko	Continues presentation of statement (EXHIBIT A, page 2).
310	Rep. Butler	Asks if Oregon is the most complex of all state plans they have looked at.

Voytko Responds that Oregon is unique in many ways and is one of the most complex, along with New York.
Chair Knopp Closes the public hearings on HB 2008 and 2020 and opens a public hearing on HB 2407.

HB 2407 – PUBLIC HEARING

Chair Knopp Advises members he has received notice from Rep. Richardson that he is requesting amendment to HB 2407.

Rep. Nolan States that she may also have amendments.

Chair Knopp Closes the public hearing on HB 2407.

Announces that he is working with Legislative Counsel on draft amendments for a defined contribution successor plan for legislators that may look like the plan outlined in the Oregon University System booklet called “Choices” and administered by an agency whose budget is not overseen by the legislature.

369 Chair Knopp Adjourns meeting at 3:34 p.m.

EXHIBIT SUMMARY

A – HB 2008 and HB 2020, prepared statement, Jim Voytko, 3 pp

B – HB 2008 and HB 2020, memo on successor plans in other states, Jim Voytko, 14 pp

C – HB 2008 and HB 2020, report, Overview of Major Pubic Pension Systems, Jim Voytko, 10 pp