

HOUSE COMMITTEE ON PUBLIC EMPLOYEE RETIREMENT SYSTEM

May 15, 2003 Hearing Room E

3:00 PM Tapes 65 - 66

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 2409 – Public Hearing and Work Session**
 HB 2002 – Work Session
 HB 3169 – Work Session
 SB 325 A – 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 65, A		
003	Chair Knopp	Calls meeting to order at 3:16 p.m. and opens a public hearing on HB 2409.
<u>HB 2409 – PUBLIC HEARING</u>		
006	Steve Manton	Representing the City of Portland and Local Governments who prevailed in the litigation before Judge Lipscomb. Testifies in support of the HB 2409-2 amendments (EXHIBIT A). States they feel it is necessary to expedite the litigation to the Supreme Court.
019	Jim Nass	Legal Counsel for the Appellate Courts. States they support the HB 2409-2 amendments (EXHIBIT A). States that they had concerns with the way HB 2409 was originally written on the certification process but the HB 2409-2 amendments resolve the concerns that the Court of Appeals had.
	Chair Knopp	Enters into record a letter from Bill Gary, Harrang Long Gary Rudnick, in support of the HB 2409-2 amendments (EXHIBIT B).
031	Chair Knopp	Closes the public hearing and opens a work session on HB 2409.
<u>HB 2409 – WORK SESSION</u>		
034	Rep. Brown	MOTION: Moves to ADOPT HB 2409-2 amendments dated 2/20/03.
		VOTE: 8-0-1
		EXCUSED: 1 - Rep. Butler
038	Rep. Macpherson	Comments that the HB 2409-2 amendments are dated February and knows there has been further discussion of how this expedite provision interacts with the expedite provisions in the other bills. Asks if all conflicts have been resolved.

Chair Knopp Responds there will be resolution in a House bill that is currently in the Senate and if that doesn't occur, the House can put it in a Senate bill and send it back to the Senate.

Chair Knopp Hearing no objection, declares the motion CARRIED.

048 Rep. Brown MOTION: Moves HB 2409 to the floor with a DO PASS AS AMENDED recommendation.

052 VOTE: 8-0-1
AYE: In a roll call vote, all members present vote Aye.
EXCUSED: 1 - Rep. Butler
Chair Knopp The motion CARRIES.
REP. KNOPP will lead discussion on the floor.

057 Chair Knopp Closes the work session on HB 2409 and opens a work session on HB 2002 for the purpose of sending the bill to the Committee on Rules and Public Affairs.

HB 2002 – WORK SESSION

066 Rep. Brown MOTION: Moves HB 2002 to the floor WITHOUT RECOMMENDATION as to passage and BE REFERRED to the Committee on Rules and Public Affairs.

072 VOTE: 7-1-1
AYE: 7 - Barker, Brown, Macpherson, Nolan, Richardson, Scott, Knopp
NAY: 1 - Kafoury
EXCUSED: 1 - Butler
Chair Knopp The motion CARRIES.

078 Chair Knopp Closes the work session on HB 2002 and opens a work session on HB 3169 for the purpose of referring the bill to the Committee on Rules and Public Affairs.

HB 3169 – WORK SESSION

081 Rep. Brown MOTION: Moves HB 3169 to the floor WITHOUT RECOMMENDATION as to passage and BE REFERRED to the committee on Rules and Public Affairs then to the Committee on Ways and Means by prior reference.

VOTE: 7-1-1
AYE: 7 - Barker, Brown, Macpherson, Nolan, Richardson, Scott, Knopp
NAY: 1 - Kafoury
EXCUSED: 1 - Butler
Chair Knopp The motion CARRIES.

100 Chair Knopp Closes the work session on HB 3169 and opens a work session on SB 325 A

SB 325 A – WORK SESSION

104 Rep. Richardson Explains the proposed SB 325 A9 amendments (**EXHIBIT C**).
158 Rep. Nolan Asks what percentage of the state would benefit from this bill.
Chair Knopp Responds that it s about thirty-five percent of Oregonians.

182 Rep. Nolan Asks why if this is good policy for small counties, it is not good policy for everybody.
Rep. Richardson Explains employment situation and lack of people to fill those

		jobs in certain areas of the state.
208	Rep. Nolan	Ask if this bill were enacted and fully utilized, whether it would shift some of the cost of the retirement system away from the local employers who take advantage of it and onto those who are not able to take advantage of it.
	Rep. Richardson	Comments on problems in the current system where a retiree goes back to work in the public sector, the employer does not make PERS contributions for that slot. The more widely that is done, less goes into the system. Does not know the exact number but PERS contributions will be made for new hires.
	Rep. Nolan	Comments that she takes Rep. Richardson's answer as a yes, it shifts costs from employers who would be able to use this onto employers who can't use it.
239	Rep. Richardson	Responds that Rep. Nolan is correct. Adds that by limiting this to counties, these are counties under the present law who have already excluded teachers and educators. It basically expands it to those public sector workers who are not involved in education.
	Rep. Barker	Asks if he could work for one of these employers because he retired from a different system while a person who retired the same day from Clackamas County could not.
	Richardson	States this only applies to those who were in the PERS system.
302	Rep. Butler	Comments that under the current system when a school administrator comes to a small county, there is a covered and uncovered rate. There is actually a greater rate applied to the covered compensation and it does not shift to the other employers in the system. Asks if this bill changes that.
	Rep. Richardson	Responds that he believes this bill does not change that.
326	Rep. Butler	Comments that some small school districts are using temporary administrators moving in from other locations who want to work until they are 60 or 65. They are bringing very valuable knowledge and skills to those schools in counties of under 35,000 population. Asks if this bill would interrupt that after 24 months.
336	Rep. Richardson Chair Knopp	Responds that it would not. Comments that this bill would probably apply to about 750,000 Oregonians, roughly 21 percent of the population.
346	Rep. Butler	Comments that it affects that 21 percent that live in the small counties, counties under 76,000 people, but they will end up paying the rate that subsidizes back for all covered employees under the rules of the present program.
356	Steve Delaney	Oregon Public Employees' Retirement System. Comments that school districts are pooled. States that Rep. Butler's scenario would apply to an un-pooled government employer. When there is a pool, the pool will cover the cost. Whether it will cause a shifting of cost is the question and PERS has posed that question to Milliman USA, asking what number of retirements would have to occur and how many retirees would have to return for it to cause an actual shifting to appear in the rate. States they do not have that information but they are assuming there would need to be several thousand re-employed retirees.
	Rep. Butler	Asks if PERS know how many have taken advantage of the program.
	Delaney	Responds that the employer does not contact PERS. There would be no reason for them to tell PERS.

430	Rep. Nolan	Comments that she had understood that any employer who has participated in PERS in the creation of the unfunded liability, even when they no longer have employees, are still on the hook to help retire the unfunded liability. Asks if it is different in this circumstance.
452	Delaney	Responds it is different in the sense that the employer is still active; they simply don't have covered salary. The anticipation is that at some point they will have covered salary to again begin paying into their liability. Adds that PERS is studying the small entities that are pooled and whether that could shift the cost due to having no covered salary for a given period of time, and what method would be used to charge them for the liability that was incurred. Statute addresses salary as one methodology for determining the payments of an employer to cover their liability, but that is not the sole means to determine the liability of an employer. States they are working on it and will probably address it by administrative rule.
TAPE 66, A		
020	Chair Knopp Delaney	Asks when the study will be completed. Responds it is being done by Milliman USA and could take several weeks.
028	Rep. Macpherson	Comments he wants to make sure he understands the cost aspects of reemployment of retirees. Gives example of a person who is eligible for retirement but who continues to work instead of retiring and one who retires and continues to work, perhaps in the same job. Notes there is an additional cost system-wide when someone is able to retire and get retirement and salary by continuing to work.
050	Delaney	Explains that when a local government is not pooled, they have a set liability based on the covered. When an employee retires the additional growing liabilities are stopped; the cost of the retirement is assigned to the employer. The covered salary has shrunk. The liability has not changed, but the covered salary has shrunk, therefore, their incremental contribution rate may go up slightly. It is not a rise in cost; the total owed to the fund has not changed but the basis upon which they are going to pay the obligation because they have one less person with a covered salary. There can be an adjustment upward for the unpooled employers. In a pool, the pool as a whole is covering this liability.
070	Rep. Macpherson Delaney	Asks what the impact is system-wide when comparing an employee who continues to work and one who retires and continues to work. Responds that Milliman is looking to a 30-year career period. States his understanding is if the person has worked to the point of an unreduced benefit, whether the person works additional years or retires would not incur an additional cost.
093	Rep. Macpherson	Comments he believes there is an extra cost to the system when someone retires and continues to work. If the smaller subdistricts are allowed to use the technique of having people retire and getting hired back and draw their pension sooner, it is an additional costs to the average rate that is spread across the school districts, yet only the smaller rural districts can avail themselves of it.

119	Rep. Richardson	Comments that this would not change the law for teachers in small counties. This bill just expands it to the very small percentage of other public service employees in small counties.
127	Rep. Macpherson	Comments that the proposal goes both direction. It is liberal for a time and then more restrictive thereafter.
146	Chair Knopp	Closes the work session on SB 325 A and adjourns meeting at 3:53 p.m.

EXHIBIT SUMMARY

A – HB 2409, HB 2409-2 amendments, Steve Manton, 1 p

B – HB 2409, letter, William Gary, 2 pp

C – SB 325, SB 325-A9 amendments and explanation, Rep. Richardson, 5 pp