

SENATE COMMITTEE ON GENERAL GOVERNMENT

June 26, 2003
3:00 PM

Hearing Room C
Tapes 64-65

MEMBERS PRESENT: Sen. Tony Corcoran, Chair
Sen. John Minnis, Vice-Chair
Sen. Bruce Starr
Sen. Vicki Walker

STAFF PRESENT: Mark Ellsworth, Committee Administrator
Heather Gravelle, Committee Assistant

MEASURE/ISSUES HEARD: HB 2020 A – 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 64, A		
005	Chair Corcoran	Calls the meeting to order at 3:10 PM. Opens a public hearing on HB 2020 A.
<u>HB 2020 A – PUBLIC HEARING</u>		
015	Chair Corcoran	Provides an overview of HB 2020 A with the –A20 amendments. Discusses hybrid plan. States the committee was given two tasks: <ul style="list-style-type: none">• Share risks between the employee and the employer• Keep costs to a minimum Explains the process further and what the new percentages are. Discusses changed retirement ages and decreased benefit packages. Presents –A20 amendments dated 6/26/03 (EXHIBIT A).
035	Chair Corcoran	Claims the employer contribution as calculated will be 7.94% of payroll for the employer representing 33 % savings which is very significant cut from tier 2. Discusses disability benefits. Explains defined contribution portion of the plan.
050	Chair Corcoran	Discusses concern regarding proposals for benefit changes. States having PERS (Public Employee Retirement System) Board will appoint a committee similar to MLAC (Management Labor Advisory Committee) charged with examining any proposals, reviewing those for PERS Board and making recommendations to the PERS Board and the legislature. Expresses concern with break in service language allowing twelve months of Family Medical Leave Act, related leave or professional development leave.
080	Chair Corcoran	Mentions Senator Minnis added section 83 in the -A20 amendments instructing PERS to begin development of information technology. Acknowledges good work of staff especially David Hendricks.
100	Dr. Margaret Hallock	Policy Advisor, Governor Kulongski. Testifies in support of HB 2020 A. Extends thanks to others contributions of the

		plan. Claims aiming for an acceptable consensus plan for future pension system. Submits written testimony (EXHIBIT B) .
110	Hallock	Claims adopting a successor system with defined benefit component is critical. States the bottom line is it will deliver a fair and adequate pension to public workforce at reasonable cost to citizens of Oregon. Mentions the three key elements: <ul style="list-style-type: none"> • A plan to public employees with a pension system that is flexible meets the needs of all involved with defined benefit portion and defined contribution portion • The Oregon Retirement Plan is financially sound and less costly than PERS • The Oregon Retirement Plan is sustainable
125	Hallock	Refers to Mark Johnson's letter. Discusses costs and savings.
150	Hallock	Notes the Governor urges adoption of the Oregon Retirement Plan as successor system for PERS which is critical to the political and financial viability of the system. Claims it is a fair and reasonable plan that is predictable meeting the Governor's standards.
190	Chair Corcoran	Expresses thanks to Representative McPherson for his hard work and his solutions.
195	Greg McPherson	Oregon State Representative, District 38. Testifies in support of HB 2020 A, with the -A20 amendments. Discusses the purpose of the -A20 amendments. States the current proposal is a combination of a defined benefit plan and defined contribution element.
210	McPherson	Feels it is a good design to accomplish what needs to be done for the next generation of public employees in Oregon. Believes good opportunity to get it right after learning downfalls of PERS. Offers to provide any technical issues about design of plan and text of amendment.
215	Randall Edwards	State Treasurer, Oregon. Mentions views on HB 2020 A. Claims worked closely with all staff to ensure they could manage and invest and ensure it was kept intact. Notes the pension fund is \$34 billion currently and historically the returns are ones that we should be proud of with a long track record of providing returns. Expresses thanks to Treasurer Straw's who diversified the portfolio and invested in stocks. Discusses key points: <ul style="list-style-type: none"> • Strong returns that are expected to continue • Professionally managed Comments that Oregon has done a great job gaining access to new ideas looking at opportunities as an individual you cannot attain. Points out the -A20 amendments take all advantages. Expresses support with the long term and short term management of money.
295	BethAnne Darby	Oregon Education Association. Speaks on behalf of the PERS Coalition. Discusses defined benefit plan. Mentions as

		a coalition they are neutral or supportive of the plan for HB 2020 A. Feels the plan provides a good baseline benefit for the members. Expresses appreciation for all the hard work addressing concerns.
300	Chair Corcoran	Mentions how consensus was reached.
305	Jim Green	Oregon School Board Association and PERS Employer Coalition. Testifies in support of HB 2020A with -A20 amendments. Expresses thanks to the Chair, the Chair of the House Committee and Representative McPherson for the hard work and dedication. Feels this system is a good retirement plan for the future with a good package to reform a system for new hires. Claims the current system has problems they are trying to address but it is hard to see the future. Believes the -A20 amendments address the issues today and for the future. Discusses three major issues going into a successor system: <ul style="list-style-type: none"> • Using overtime to figure out what final average salary was • Disability issue especially non duty related issues • Add on to the benefits
380	Mike Salsgiver	Portland Business Alliance. Testifies in support of HB 2020 A and -A20 amendments. Echo's Mr. Green's comments. Expresses appreciation to Chair Corcoran, Representative McPherson and the Governor's office in trying to craft solutions to the PERS problem.
TAPE 65, A		
005	Salsgiver	States the goal is to replace the current system. Believes leaving the tier 2 system in place is unacceptable. Claims there needs to be a structurally sound system providing predictability for budgeting purposes that saves real tax payer dollars. Feels their view in defined contribution plan met those goals and that is the alliance's preferred choice. Notes the hybrid system suggested in the -A20 amendments reflects a framework of a successor plan that is workable.
025	Salsgiver	Comments the business community in the last eighteen months has learned we are in the Oregon retirement planning process to stay. Claims must remain diligent in the goals and continue on the path. Expresses thanks to the Chair.
035	Sen. Walker	Expresses interest and thanks for Mr. Salsgiver's quote. Claims had to meet in the middle and it is a fine achievement.
045	Sen. Starr	Comments the number of employers who have a 6% pickup in their contracts have numbers that do not show up in numbers provided today. Asks about round numbers.
055	Green	Responds do not have round numbers for all local employers but can tell what school districts do. Claims 60% school districts pick up the 6% for their employees, but the numbers are dropping due to cost. Suggests talking to Hasina Squires or Maria Keltner.
075	Sen. Starr	Asks how the roll of cost of living adjustments plays to added cost to the employers.

080 Green Understands the cost of living adjustment is different than the current PERS system. Notes in PERS it is a banking cost of living adjustment that continues to add on cost. Adds this one is not a banking cost of living adjustment so it does not have escalating costs. Suggests asking Mr. Delaney or Mr. Voytko about the technical parts. Notes the cost ramifications of the cost of living adjustment part of retirement, disability or death benefits do not have cost ramifications that are in the current system.

95 Sen. Starr Asks what those numbers are reflected in.

100 Green Believes in the normal cost rate and rate for disability that the actuary did include that in the cost associated with normal cost rate.

105 Chair Corcoran Closes the public hearing on HB 2020 A and opens a work session on HB 2020 A.

HB 2020 A – WORK SESSION

110 Sen. Starr Asks if anyone else is willing to testify due to this being such a significant issue.

115 Chair Corcoran Closes the work session on HB 2020 A and reopens the public hearing on HB 2020 A

HB 2020 A – PUBLIC HEARING

120 Russ Walker Represents Citizens for Sound Economy. Testifies in opposition of HB 2020 A. States reasons why:

- Violates trust
- Falls short of being fiscally responsible
- Cost of 8.6% and 15% of payroll is excessive and hard to justify to average taxpayers

Expresses concern with the 6% pick up. Claims would like stronger language limiting the 6% pick up at the end of the current cycle of agreements of contracts. States concerned with the cost of living adjustment. Notes would like more time to review the plan before moving it forward. Comments had no roll in drafting this version in Oregon.

125 Chair Corcoran Closes the public hearing on HB 2020 A and opens a work session on HB 2020 A.

The following prepared testimony is submitted for the record without public testimony for HB 2020 A:

Mark Johnson Submits written testimony (EXHIBIT C)
Unknown Submits written material (EXHIBIT D)

HB 2020 A – WORK SESSION

130 Sen. Minnis **MOTION: MOVES to ADOPT HB 2020 A–A20 amendments dated 6/26/03.**

135 **VOTE: 3-1**
AYE: 3 - Sen. Walker, Sen. Minnis, Chair Corcoran
NAY: 1 - Sen. Starr
The motion Carries.

140 Chair Corcoran Closes the work session on HB 2020 A and adjourns the meeting at 3:00 PM.

EXHIBIT SUMMARY

- A – HB 2020 A, -A20 amendments dated 6/26/03, staff, 98 pp**
- B – HB 2020 A, written testimony, Dr. Margaret Hallock, 3 pp**
- C – HB 2020 A, written testimony submitted by Margaret Hallock for Mark Johnson, 1 p**
- D – HB 2020 A, written material on hybrid plan, unknown, 6 pp**