

SENATE SPECIAL SESSION COMMITTEE ON REVENUE

June 13, 2002 Hearing Room A
10:00 a.m. Tapes 5 - 6

MEMBERS PRESENT: **Sen. Ted Ferrioli, Chair**
 Sen. Joan Dukes
 Sen. Bill Fisher
 Sen. John Minnis
 Sen. Cliff Trow

STAFF PRESENT: **Paul Warner, Administrator**
 Nancy Masee, Administrative Support

MEASURE/ISSUES HEARD:
 Public Hearing and Work Session SB 1021

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 5, A		
003	Chair Ferrioli	Convenes meeting at 10:00 a.m. Yesterday we adopted a conceptual amendment on SB 1022. Opens a public hearing on SB 1021.
SB 1021 PUBLIC HEARING		
028	James Voytko	Executive Director, Public Employees Retirement System (PERS). The board has not yet made a decision on the mortality table policy. PERS has not taken a position on SB 1021. Reviews letter submitted (EXHIBIT A) and the comments on the mortality table issues (EXHIBIT B).
075	Voytko	Continues discussion of statutory and IRS requirements.
097	Sen. Trow	Would the bill have been better if included in it were specific statutory language?
114	Voytko	It would connect to existing statutory directives which would have been helpful. Legislative changes in existing statute for clarification raise the defensibility.
130	Sen. Minnis	Asks for clarification, does the board have general rule making authority.
133	Voytko	Answers yes, they have defined the terms indirectly adopting a mortality table policy in 1998.
151	Chair Ferrioli	Refers to statutes and the bill. States that the intent of the measure is to deal with the actuarial tables. There is much in existing PERS statutes that the legislature could improve through policy changes. More complex legislation may be necessary
165	Voytko	Emphasizes the Board wants specific direction from the legislature. Refers to letter to Sen. Nelson. There are two different approaches according to definition not mechanism. Refers to what the legislation might do. Board could not agree on what the words meant.
215	Voytko	Points out that SB 1021 did not address contract rights. Discusses points in 1021 that creates a window for rapid retirement of

		employees. The Board chose to consider that. Refers to chart showing acceleration of retirements.
250	Voytko	We anticipate there will be reaction in membership base in retirements. Discusses undue acceleration of retirements. Discusses different methods of incremental approach and multiple segment approach to retirement policy. Five policy objectives were considered by the Board.
324	Sen. Dukes	Under Multiple Segment approach, is that bringing in over a period of time?
334	Voytko	Answers, the approach would take for a 30 year career employee with three ten year segments with different mortality tables, at retirement, 1/3 would be calculated on one that was 20 or 30 years old and 1/3 on a table 10 or 20 years old, and 1/3 on a most recent table. Explains the downside drags old tables as part of the calculation.
375	Voytko	A fair revision is that there would always be some slice. Money match weights heavily on money in the account early on, it might not be as neat. It depends on circumstances.
414	Sen. Dukes	Asks if the system can handle this.
415	Voytko	Replies it cannot under current statute. Discusses problems pervasive in statutory, not rooted in the mortality table.
430	Sen. Dukes	Wants to know more than "do the best we can." Fears PERS will collapse.
450	Voytko	Answers that the odds of a systemic collapse are low. What is worrisome are the complexities and inaccuracies resulting.
442	Sen. Trow	Asks what the problems are if the legislature does nothing now and stays with the present approach.
485	Voytko	Answers the gaps will grow bigger and bigger.
514	Sen. Trow	Asks if the Board has the authority to act on this issue.
516	Voytko	Believes the Board has the authority.
521	Sen. Trow	But the Board has chosen not to. Would it be a positive thing for the legislature to make a decision on these choices presented and give the Board instructions?
TAPE 6A		
042	Voytko	Responds that the Board has struggled with conflicting terms in the statute, undefined terms, or places where the statute is silent. Answers whatever policy is in terms of explicit directions by the Legislature would be appreciated by the Board. Wants clear instruction.
054	Sen. Trow	Explains that the legislature is not expert and feel they need help of the Board.
060	Voytko	Explains he believes the Board can do this.
073	Sen. Trow	Seems that ill informed action by the legislature risks making mistakes
086	Voytko	Answers that the Board is reluctant to pick an objective for the legislature. SB 1021 presents a policy to get to mortality tables. The less change you have in the actuarial liabilities in the system, the slower you get there.
105	Sen. Fisher Voytko	Asks how long the Board's approval would take. Answers it is difficult to say. The Board is scattered all over the state. They meet once a month face to face. Can take the question to them as quickly as possible, telephonically for instance. Possibly 48 hours.
121	Sen. Minnis	Asks about not being able to manage the system, asks for

		clarification.
136	Voytko	Responds they are managing the system and they get many transactions right, and they meet the statutory deadlines and they provide excellent advice and service to the members. Speaks about standards of accuracy, productivity. Discusses complexity of the system as it grows.
156	Sen. Minnis	Discusses this crisis situation and suggests that the Board needs to put more time in developing strategies. Asks if there are strategies considered by the Board.
200	Voytko	Discusses meetings of the Board. Describes groups working on pension policy for the state. The Governor's Task Force is working on PERS issues. The House Speaker Task Force is working on PERS issues. Questions raised are broad. Asks Senator Nelson and senators to list questions on PERS issues. PERS will be able to show consequences of one pension policy compared to another. The letter on mortality policy is an example of what PERS can give to you in information.
252	Chair Ferrioli	Reiterates employer and employee agreements. Emphasizes a need for dialog between the legislature and PERS Board on policy. Points out other systemic problems not related to SB 1021.
315	Chair Ferrioli	Continues discussing the intent to find savings for employers. Expresses the need for parameters on intent of this special session. Looking for immediate savings without creating more problems.
342	Sen. Fisher	Comments on reluctance of PERS to input policy. Suggests they should have more ideas on how to fix the system than the legislature.
424	Voytko	Replies there is a dilemma. Explains SB 1021 is problematic in PERS because there has been 56 years of statute without sunset. There is a cumulative statutory input from all these years.
488	Chair Ferrioli	Summarizes this committee has more work to determine the parameters on SB 1021 this session. There is fiscal impact analysis as the bill is drafted. Need to work with the PERS Board regarding fiscal impacts. It is the prerogative of the legislature to set the policy and to give PERS direction. The PERS Board needs more participation with the legislature. Asks about the workgroup established by the Board.
TAPE 5B		
054	Voytko	Describes what the Board did with the workgroups. Explains the objective was to figure out what the difference is between the old table and true life expectancy today. Secondly, the Board instructed the staff to develop options like the four presented today and present to the stakeholder groups. Describes what the former groups accomplished in objectives and preferences.
135	Sen. Fisher	It behooves the state to get started on discussing these problems.
150	Chair Ferrioli	The bill will stay with the committee. There is continued interest in the issues and possible amendment to SB 1021.
158	Sen. Trow	Something needs to be done.
167	Chair Ferrioli	Adjourns meeting at 11:30 am. Will meet again when consensus is nearer.

Submitted By,

Reviewed By,

Nancy Masee
Administrative Support

Paul Warner
Administrator

EXHIBIT SUMMARY

A - Written testimony, J. Voytko, 22 pp

B - Written testimony, J. Voytko, 3 pp