

SENATE SPECIAL COMMITTEE ON PERS STABILIZATION

September 04, 2002 Hearing Room 50, H-170
10:30 AM Tapes 1A, 2A, 3A

MEMBERS PRESENT: Sen. Roger Beyer, Chair
Sen. Ryan Deckert
Sen. Charles Starr

STAFF PRESENT: Cara Filsinger, Committee Administrator
Patricia Nielsen, Committee Assistant

MEASURE/ISSUES HEARD: Organizational meeting
SB 1028 – Public hearing and work session
SB 1029 – Public hearing
SB 1030 – 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>
<u>TAPE 1, A</u>		
005	Chair Beyer	Calls the meeting to order at 10:32 a.m. Opens organizational meeting to consider proposed committee rules (EXHIBIT A).
<u>WORK SESSION – RULE ADOPTION</u>		
010	Sen. Starr	Moves to adopt proposed committee rules.
015	Chair Beyer	Without objection, the motion CARRIES. Excused: Sen. Deckert.
018	Chair Beyer	Opens public hearing on SB 1028, SB 1029 and SB 1030.
<u>SB 1028, SB 1029, SB 1030 – PUBLIC HEARING</u>		
020	Joe Schweinhart	Associated Oregon Industries (AOI). Testifies in favor of all three bills.
029	Pat West	Oregon State Fire Fighters Council, PERS Coalition. Testifies in opposition to all three bills. Argues contract rights are violated.
050	Brian DeLashmutt	Oregon Nurses Association, Oregon Council of Police Associations, Association of Oregon Corrections Employees, Federation of Oregon Parole and Probation Officers, PERS Coalition. Testifies in opposition to SB 1028. Urges the committee to allow the process already in place to continue working and propose an alternative system or improvements to the current system.
085	Sen. Deckert	Asks about contracts already in place, and what new system would be in place following the June 30, 2003 end date.
095	DeLashmutt	Responds there is no replacement.
100	Mark Nelson	Association of Oregon Faculties, Oregon Judges Association. Testifies in opposition to SB 1029, relating to retirement system for judges. Describes separate system currently in place for judges. Expresses confidence in decisions by judges who are members of this separate system.

135	Jim Voytko	Public Employees Retirement System (PERS) Executive Director. Offers to answer questions.
140	Sen. Deckert	Asks what replacement system is contained in SB 1028.
145	Voytko	Responds there is none in SB 1028 but discussions are ongoing.
150	Sen. Deckert	Inquires how passage of SB 1028 will affect his ability to manage PERS.
155	Voytko	Describes two actions which would be needed: <ul style="list-style-type: none"> • Abolish PERS system as required by SB 1028, and put in place implementation procedures for the cessation of active membership. • Receive direction from legislature about what to do. Advises this is a compensation policy decision, personnel management decision, pension policy decision, and fiscal decision. Points out the bill does not state what system is the desired replacement. Comments the cost of PERS is not affected by this bill.
185	Sen. Deckert	Poses hypothetical about employees ready to retire.
195	Voytko	Responds the current compensation package includes PERS retirement, and if PERS is changed the effect is uncertain after the end date. Continues each retirement benefit would include benefits accrued up to the date of the expiration, and after that it is uncertain what additional accruals would be owed to the retiree.
215	Sen. Deckert	Asks whether the bill addresses the Tier 1 shortfall.
220	Voytko	Answers it stops accrual of Tier 1 and Tier 2 benefits while those already accrued are still owed and would remain in place, so financial consequences of Tier 1 are still owed to members.
235	Chair Beyer	Clarifies what would be owed up to the end date.
240	Voytko	Responds.
255	Paul Phillips	AFSCME Council 75. Testifies in opposition to all bills. Asks questions for members to contemplate: <ul style="list-style-type: none"> ▪ What are accrued savings (no analysis presented) ▪ Analyze cost to individual employees and retirees ▪ Recruitment issue (need high-quality employees) ▪ Cooperation is the key to the process, and task forces are in place ▪ Analyze existing contracts ▪ Analyze how PERS change to mortality tables is affected ▪ Is it reasonable to abolish without a successor system Suggests there would be litigation so the committee should build record what is being attempted and how.
330	Chair Beyer	Seeing no further request for public testimony, closes public hearing on SB 1028, SB 1029 and SB 1030. Recesses the committee at 10:55 a.m. Committee will meet at the call of the chair.

RECESS

**** Move to hearing room H-170 after recess ****

TAPE 2, A

005 Chair Beyer Reconvenes the meeting at 1:57 p.m. Opens work session on SB 1028.

SB 1028 - WORK SESSION

010 David Heynderickx Legislative Counsel. Reviews SB 1028-1 amendments dated 9-4-02 (EXHIBIT B).

030 Chair Beyer Reviews section 2, subsection 2. Clarifies exclusion.

040 Heynderickx Responds and explains vesting. Clarifies any employees not vested by January 1, 2004, will receive back their contributions plus interest thereon.

050 Chair Beyer Asks about employees who leave employment and return.

055 Heynderickx Responds and explains it does not change the effect on those who leave and return.

065 Chair Beyer Clarifies date of 2002 special session.

070 Sen. Deckert Asks about precedent for shutting down retirement system without another in place.

075 Heynderickx Describes rights of public and private employers.

090 Sen. Deckert Asks about legislature's legal standing to take this action.

095 Heynderickx Discusses issue of contract rights. Explains the advantage is savings to public employers. Describes court decisions so far, including litigation over Ballot Measure 8.

125 Chair Beyer Asks about court's discussion of issues in the case.

130 Heynderickx Responds the court decided Ballot Measure 8 was void under the federal constitution contract clause.

140 Chair Beyer Inquires whether there might be litigation if successor system benefits are equal to or better than current plan.

150 Heynderickx Responds the court would probably sustain it, but difficult to predict because the system is so complicated.

155 Sen. Deckert Asks how often a judge reverses himself.

165 Heynderickx Replies it is not unheard of, for example SAIF case.

175 Chair Beyer Asks if Measure 8 was 1996, and when the Oregon Supreme Court decided it.

180 Heynderickx Responds.

185 Chair Beyer Closes work session on SB 1028. Reopens public hearing on SB 1028, 1029 and 1030.

SB 1028, SB 1029, SB 1030 – PUBLIC HEARING

195 Sen. Harper District 28. Testifies on SB 1030, commenting the concept is long overdue. Urges the committee to pull legislature, governor and judges out of PERS to eliminate conflict of interest with decision-makers.

235 DeLashmutt Asks technical question for the record: When does someone have standing to sue, and whether that has an impact on benefits.

265	Sen. Starr	Asks how emergency clause affects standing.
275	Heynderickx	Returns to advise that same problem exists because the plan doesn't change until the end date passes. Opines a party has standing as soon as law goes into effect. Continues if no standing, could add another provision to next bill making it effective immediately, to encourage quicker decision by courts.
320	Chair Beyer	Clarifies there is a limited period of 60 days to challenge the bill.
330	Heynderickx	Confirms it is meant to limit challenges to a specific period.
345	Chair Beyer	Closes public hearing on SB 1028, SB 1029, SB 1030. Reopens work session on SB 1028.

SB 1028 – WORK SESSION

350	Sen. Deckert	Asks about likelihood the task forces will act.
360	DeLashmutt	Describes progress of Speaker's PERS task force and work group. Continues and describes progress of Governor's group. Suggests the movement in SB 1028 is premature.

TAPE 3, A

015	Sen. Deckert	Asks when the task force will report back to the legislature.
020	DeLashmutt	Refers question to Rep. Knopp, but expects some specific suggestions by the 2003 session.
030	Sen. Deckert	Asks about possible court challenge.
035	DeLashmutt	Responds any individual can challenge, but the likelihood is diminished by having the interested parties involved in the process.
045	Chair Beyer	Refers to fiscal statement (EXHIBIT C).
050	Sen. Starr	MOTION: Moves to ADOPT SB 1028-1 amendments dated 9/4/02.
055		VOTE: 2-1
		AYE: 2 - Starr, Beyer R
		NAY: 1 - Deckert
	Chair Beyer	The motion CARRIES.
060	Sen. Starr	MOTION: Moves SB 1028 to the floor with a DO PASS AS AMENDED recommendation.
065	Sen. Starr	Discusses legislative attempts to modify PERS for the past 10 years. Suggests it is time to make meaningful changes to the system.
080	Sen. Deckert	Expresses frustration that there is no opportunity for deliberation before PERS is abolished without a replacement system in place. Explains he will vote no if one side is left out.
100	Chair Beyer	Comments on the need for a new system which is simpler but which does not necessarily provide a lesser benefit.
140		VOTE: 2-1
		AYE: 2 - Starr, Beyer R
		NAY: 1 – Deckert
	Chair Beyer	The motion CARRIES.
		SEN. BEYER will lead discussion on the floor.
150	Chair Beyer	Recesses committee at 2:35 p.m.

The committee did not re-convene, and was adjourned by the adjournment of the Senate at the end of the session day.

Submitted By,

Reviewed By,

Patricia Nielsen,
Committee Assistant

Cara Filsinger,
Committee Administrator

EXHIBIT SUMMARY

A – Committee rules, staff, 1 p

B – SB 1028-1 amendments dated 9-4-02, staff, 2 pp

C – SB 1028-1 amendments fiscal statement, staff, 2 pp