

**SENATE SPECIAL COMMITTEE ON**  
**PERS STABILIZATION**

September 06, 2002 Hearing Room H-170  
2:30 p.m. Tapes 4 - 5

**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:**       **SB 1028 – 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.

---

<b>TAPE/#</b>	<b>Speaker</b>	<b>Comments</b>
<b>TAPE 4, A</b>		
005	Chair Beyer	Calls the meeting to order at 2:45 p.m. Opens public hearing on SB 1028.
<b><u>SB 1028 – PUBLIC HEARING</u></b>		
010	Chair Beyer	Comments on SB 1028-A2 amendments dated 9-6-02 <b>(EXHIBIT A)</b> .
015	<b>David Heynderickx</b>	Legislative Counsel. Presents overview of SB 1028-A2 amendments dated 9-6-02. Describes the amendment as a new plan for new hires, a third Tier. Advises it is based on the House plan considered in 2002 3 <sup>rd</sup> special session.
090	Sen. Deckert	Clarifies the Tier 1 employees would receive eight percent, and earnings over eight percent would be paid toward the deficit and into reserves.
095	Heynderickx	Affirms and cautions the Tier 1 membership is shrinking, so the effect will be diminishing. Continues describing details of amendments.
175	<b>Michelle Deister</b>	League of Oregon Cities (LOC). Testifies in favor of the bill with some clarifications. Suggests changes: <ul style="list-style-type: none"><li>• Explicit language that successor system applies to those who have not established membership by 2004</li><li>• Expedited Supreme Court review should be applied to entire bill</li></ul>
210	<b>Marge Kafoury</b>	Director of Government Relations, City of Portland. Agrees with changes suggested.
220	<b>Steve Manton</b>	Pension Systems Manager, City of Portland. Suggests on page 2, of the SB 1028-A2 amendments, section 4, lines 20-22, changing five to ten years, to allow the fund to recover more fully.
245	Sen. Deckert	Asks if witnesses are members of Speaker's or Governor's task force.

250	Deister	Responds.
255	Sen. Deckert	Asks whether this bill should be passed even though two task forces are currently working on the issue.
260	Deister	Responds the efforts are not mutually exclusive.
265	<b>Libby Henry</b>	Eugene Water and Electric Board (EWEB). Testifies in support. Submits written testimony. <b>(EXHIBIT B)</b> .
270	<b>Pat West</b>	Oregon State Fire Fighters Council and PERS Coalition. Discusses specific sections including the eight percent earnings limit. Opposes the extension from five to ten years. Continues and discusses closed system and phasing out of Tier 1. Advises fixed account has earned over ten percent on average.
375	<b>Brian DeLashmutt</b>	Oregon Nurses Association, Oregon Council of Police Associations, Association of Oregon Corrections Employees, Federation of Oregon Parole and Probation Officers, Public Employees Retirement System (PERS) Coalition. Testifies and raises concerns over bill. Suggests not ending the system without a replacement system. Discusses unfunded liability and how Tier 2 provisions have dealt with many of the stated problems of Tier 1. Suggests the movement is premature.
<b>TAPE 5, A</b>		
005	<b>Maria Keltner</b>	Association of Oregon Counties (AOC). Testifies in support and raises issues: <ul style="list-style-type: none"> <li>• Supports creating a successor system for new members</li> <li>• Supports cap on crediting earnings to Tier 1 regular accounts</li> <li>• Agrees with request for expedited review</li> <li>• Requests assistance for local governments to deal with unfunded liability</li> </ul>
040	<b>Joe Schweinhart</b>	Associated Oregon Industries (AOI). Testifies in favor of bill and recommends that PERS reform be part of any overall budget solution.
060	Sen. Deckert	Asks whether it is appropriate to deal with the issue during a special session when all the parties are not present.
070	Schweinhart	Responds this is a start, and more bills will be presented during session.
080	<b>Steve Delaney</b>	PERS legislative liaison. Raises concerns: <ul style="list-style-type: none"> <li>• Changing five-year to ten-year call requires analysis by actuary</li> <li>• Recommends not deleting lines 24-28, on page 2 of the SB 1028-A2 amendments, because it is a helpful directive from legislature to PERS Board, and a safety valve to assure neither a deficit nor an excess in the gain-loss reserve</li> <li>• Points out there are other directives regarding reserves, which must be obeyed by PERS, along with a requirement that earnings be paid to deficit account</li> </ul>
130	Chair Beyer	Clarifies whether funding for gain-loss reserve is from employee money or both employer and employee money.
135	Delaney	Affirms it is a combination of employer and employee earnings.

140	Chair Beyer	Asks whether a clause can be added to reinstate the old system, if the Supreme Court overturns.
150	Heynderickx	Recommends against that action. Continues and discusses language about funding reserve accounts.
180	Chair Beyer	Discusses funding source for unfunded liability for local government. Asks staff to consider. Asks how long the actuary would take to review the five-year versus ten-year call.
195	Delaney	Responds he should have the information within 24 hours.
200	Chair Beyer	Comments the bill needs language allowing use of contingency reserves.
205	Heynderickx	Agrees there should be clarifying language.
210	Chair Beyer	Closes public hearing on SB 1028. Recesses committee at 3:30 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 – SB 1028-A2 amendments dated 9-6-02, staff, 11 pp**

**B – SB 1028, written testimony, L. Henry, 1 p**