

HOUSE COMMITTEE ON RULES, ELECTIONS, AND PUBLIC AFFAIRS

June 18, 1999 Hearing Room D

3:00 P.M. Tapes 104 - 105

MEMBERS PRESENT: Rep. Mark Simmons, Chair

Rep. Richard Devlin, Vice-Chair

Rep. Bruce Starr, Vice-Chair

Rep. Roger Beyer

Rep. Randall Edwards

Rep. Dan Gardner

Rep. Kevin Mannix

MEMBER EXCUSED:

STAFF PRESENT: Cletus B. Moore, Jr., Administrator

Kevin E. Wells, Administrative Support

MEASURES HEARD: SJR 7A Work Session

SB 961A Work Session

HB 2830 Work Session

SB 1207A Work Session

SB 722A 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 104, A		

003	Chair Simmons	Calls meeting to order at 3:15 p.m. Opens work session on SJR 7A.
<u>SJR 7A WORK SESSION</u>		
006	Rep. Beyer	
006	Rep. Beyer	MOTION: Moves SJR 7A to the floor WITHOUT RECOMMENDATION as to passage and BE REFERRED to the committee on Judiciary Civil Law.
		VOTE: 5-0 EXCUSED: 2 - Mannix, Starr
Chair Simmons		Hearing no objection, declares the motion CARRIED.
008	Chair Simmons	Closes Work Session SJR 7A. Opens Work Session SB 961A.
<u>SB 961A WORK SESSION</u>		
010	Rep. Beyer	MOTION: Moves SB 961A to the floor WITHOUT RECOMMENDATION as to passage and BE REFERRED to the committee on Judiciary Civil Law.
		VOTE: 5-0 EXCUSED: 2 - Mannix, Starr
Chair Simmons		Hearing no objection, declares the motion CARRIED.
013	Chair Simmons	Closes Work Session SB 961A. Opens Work Session HB 2830.
<u>HB 2830 WORK SESSION</u>		
024	Rep. Gardner	MOTION: Moves to SUSPEND the rules for the purpose of reconsidering the vote by which HB 2830 was sent the floor with a DO PASS recommendation.
		VOTE: 5-0

		EXCUSED: 2 - Mannix, Starr
	Chair Simmons	Hearing no objection, declares the motion CARRIED.
034	Rep. Beyer	MOTION: Moves to RECONSIDER the vote by which "HB 2830 was sent the floor with a DO PASS recommendation".
		VOTE: 5-0 EXCUSED: 2 - Mannix, Starr
	Chair Simmons	Hearing no objection, declares the motion CARRIED.
037	Chair Simmons	Closes work session on HB 2830. Opens work session on SB 1207A. Points out the ñA4 amendments.
<u>SB 1207 WORK SESSION</u>		
045		Staff submits (EXHIBIT A).
046	Kelly Taylor	Oregon Department of Transportation (ODOT). Explains the ñA4 amendment clarifies technical language of SB 1207 (EXHIBIT B).
055	Chair Simmons	Discusses the issues behind SB 1207A.
061	Taylor	Reviews history of current regulation on driverís license revocation for certain felonies. Explains a retroactive provision of previous legislation that has caused problems. States that SB 1207 with the ñA4 amendments rectifies those problems.
100	Taylor	Discusses other provisions of SB1207-A4.
135	Steve Dole	Supports SB 1207 with the ñA4 amendments. States that the bill makes penalties proportionate to the crime committed.
159	Rep. Edwards	Asks Dole to explain why SB 360 (1995) was passed.
163	Dole	Discusses that legislation.

180	Rep. Edwards	Asks if the problems have surfaced only recently.
182	Dole	Replies that he became aware of the problems in 1998.
194	Mark Gardner	Attorney General's Office. Supports SB 1207 with the 4 amendments. Explains that it saves Oregon money.
205	Rep. Gardner	Asks if SB 1207A needs to be referred to Ways and Means.
209	Janet Adkins	Policy Analyst. Explains that the fiscal impact is spread across several pieces of legislation.
221	Taylor	Explains that if SB 1207A passed alone, then it would cost \$64,000, but that is not the case.
231	Rep. Gardner	MOTION: Moves to ADOPT SB 1207A-4 amendments dated 6/17/99.
		VOTE: 6-0 EXCUSED: 1 - Starr
	Chair Simmons	Hearing no objection, declares the motion CARRIED.
237	Rep. Gardner	MOTION: Moves SB 1207A to the floor with a DO PASS AS AMENDED recommendation.
241	Rep. Beyer	Acknowledges that he has a constituent that was affected by the retroactive clause of SB 360. Supports SB 1207.
245		VOTE: 6-0 EXCUSED: 1 - Starr
	Chair Simmons	Hearing no objection, declares the motion CARRIED. REP. MANNIX will lead discussion on the floor.
257	Chair Simmons	Closes Work Session SB1207A. Opens work session SB 722A.

SB 722A WORK SESSION

290	Staff	Distributes SB 722-A13 amendments (EXHIBIT C).
300	Vice-Chair Devlin	Introduces written testimony from Richard Peppers (EXHIBIT D).
315	John Ramig	Lindsay, Hart, Neil and Weigler. Discusses the opt out clause of SB 722A and the effective interface with alternative plans (EXHIBIT E).
370	Ramig	Discusses the portability of PERS. Comments on the effect of the opt out clause on fire and police officers.
420	Ramig	Explains how SB 722A and PERS can be improved with a few amendments. Urges adoption of the opt out language.
TAPE 105, A		
010	Ramig	Continues to discuss the opt clause.
017	Rep. Mannix	Asks Ramig to work with interested parties to craft specific language for amendments.
028	Ramig	Replies that he is willing to work with interested parties.
036	Vice-Chair Devlin	Asks if Ramig's interest is developing a market for his business.
042	Ramig	Replies that his interest is serving clients and crafting good public policy.
053	Vice-Chair Devlin	Asks how alternative plans compare to PERS in rate of return.
056	Ramig	Replies that rates of return vary with each individual plan crafted by each jurisdiction. Adds that each plan would have excellent rates of return.
065	Vice-Chair Devlin	Asks how portability impacts the individual employee transferring between jurisdictions with different plans.
071	Ramig	Defers to Dennis Monaghan.
075	Dennis Monaghan	Assistant Vice President, Aon Consulting. Explains portability. Describes various methods to implement portability.

110	Rep. Devlin	Asks how this works in terms of retirement.
127	Monaghan	Explains the costs and process of opting out. Expresses that PERS should not pay the costs of opting out.
161	Vice-Chair Devlin	Relates that the average length of time that a city manager is 3 to 5 years, which is similar in other managerial positions. Notes that retirement benefits are important for recruiting managers.
176	Ramig	Explains that alternative plans would not necessarily be better, but different. Notes that someone in PERS for their whole career could be better off than someone who opts out if there is not language to ensure a benefit level equal to or greater than PERS.
194	Rep. Mannix	Asks if there was a Senate bill that addressed the opt out clause.
196	Ramig	Replies that it was discussed in relation with SB 722A.
199	Rep. Mannix	Comments that it would be prudent to have regulation of alternatives to PERS to ensure they perform up to standard. Stresses that opting out of PERS could result in changes of coverage and benefits. Asks what protection is their for those who opt out of PERS.
229	Ramig	Agrees that such changes cause concern. Discusses current alternative plans that function well.
262	Rep. Mannix	Relates personal experience with PERS. Asks what happens if he had been transferring among various plans.
278	Ramig	Replies that most people working in the private sector transfer between retirement plans.
296	Rep. Edwards	Asks what products are available as alternatives to PERS.
305	Ramig	Responds that no specific products are in the proposed amendment. Describes various products that are available to jurisdictions.
324	Rep. Edwards	Asks if alternatives are enhancements to PERS.
332	Ramig	Explains that the opt out plans are alternatives to PERS.
340	Rep. Edwards	Asks Ramig to address concerns that opting out of PERS will be detrimental to PERS.

343	Ramig	Explains that opting out of PERS establishes competition that will improve PERS. States that portability improves retirement benefits for many people. Suggests that opt out plans give local governments greater certainty of what their costs will be in the future.
388	Rep. Edwards	States that PERS has served Oregon very well. Questions whether competition to PERS benefits employees. States that alternatives expose employees to greater risk.
425	Rep. Edwards	Reiterates that PERS serves Oregon well.
TAPE 104, B		
003	Ramig	Stresses that the opt out provision is not meant to denigrate PERS. States that alternative plans simply provide more options.
016	Rep. Mannix	Asks if Ramig considered having alternative plans adopted by employees.
020	Ramig	Responds that is how he assumed alternative plans would be adopted.
029	Chair Simmons	States that it would be helpful to have standards in place to work with when considering alternative plans.
034	Ramig	States he will work with interested parties to craft acceptable language.
040	Monaghan	Discusses funding problems PERS has encountered in its different tiers. Comments on tier 3, which concentrates on one benefit structure.
090	Monaghan	Continues to discuss funding and costs challenges to the different tiers of PERS.
108	Rep. Edwards	Asks if someone from PERS can comment on the previous testimony.
114	Fred McDonnal	Director of PERS. Comments on the difference between OSHU's opt out provisions and opt out provisions for local governments. Discusses the costs of opting out of PERS.
144	Rep. Edwards	Asks if this parallels the problems facing Social Security.
148	Mark Johnson	Discusses the problems of funding retirement plans for an aging work force. Points out that when employees from different agencies are pooled that it is difficult to ensure that each employer pays their share when there is an opt out plan available.

200	Vice-Chair Devlin	Asks if rates of return include assumptions about employers paying their unfunded liability.
208	McDonnal	Answers yes.
211	Vice-Chair Devlin	Asks question about dealing with unfunded liability and rates of return.
220	Johnson	Explains that employers would be responsible for their unfunded liability.
235	Vice-Chair Devlin	Asks for clarification on the cost of issuing bonds.
242	McDonnal	Defers to State Treasurer's Office.
249	Johnson	Suggests that local jurisdictions would pool together for the costs of issuing bonds.
253	McDonnal	Explains that portability is a worthy goal. Adds that in-state portability is a greater issue than out-of-state portability, as government workers tend to stay in state.
271	Johnson	Explains that PERS currently does not have a mechanism to accept money from other plans. Comments on out-going portability.
305	Rep. Edwards	States that PERS is similar to a mutual fund. Asks if PERS returns compare to private mutual funds.
311	Johnson	Explains the variables involved. States that rates of return vary according to investment plans.
348	McDonnal	States that PERS's track record has been very good.
354	Rep. Edwards	States that the benefit of the opt out provision
363	Chair Simmons	Discusses options before the committee concerning SB 722A.
381	Vice-Chair Devlin	Supports SB 10 and studying the opt out provision and the third tier.
400	Rep. Gardner	Supports a study to see the ramifications, to PERS, of the proposed changes.
410	Vice-Chair Devlin	States that if changes are not made for two years it does not effect the long term.

TAPE 105, B		
002	Chair Simmons	Explains that SB 722 needs to move forward with or without the opt out clause. Discusses the committee work schedule. Adjourns the meeting at 4:45 p.m.

Submitted By, Reviewed By,

Kevin E. Wells, Jim Stembridge,

Administrative Support PRCS Manager

EXHIBIT SUMMARY

A ñ SB 1207, -A4 amendments, staff, 4 pp

B ñ SB 1207, written testimony, Kelly Taylor, 2 pp

C ñ SB 722, -A13 amendments, staff, 3 pp

D ñ SB 722, written testimony, Richard Peppers, 2 pp

E ñ SB 722, written testimony, John Ramig, 3 pp