

SENATE COMMITTEE ON JUDICIARY

April 22, 1999 Hearing Room 343

3:00 p.m. Tapes 142 - 143

MEMBERS PRESENT: Sen. Bryant, Chair

Sen. Courtney, Vice-Chair

Sen. Brown

Sen. Burdick

Sen. Nelson

Sen. Qutub

Sen. Tarno

STAFF PRESENT: Anne Tweedt, Counsel

Judith Minnich, Administrative Support

MEASURE/ISSUES HEARD:

SB 1206 - Public Hearing

SB 1125 - Public Hearing

Public Employee Retirement System ñ Informational Meeting

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 142, A		
003	Chair Bryant	Calls meeting to order at 3:15 p.m.
<u>SB 1125 PUBLIC HEARING</u>		

010	Counsel Tweedt	SB 1125 modifies Oregon law relating to condemnation proceedings. The 1997 legislature passed SB 1036 that substantially revised the previous statutes. The proponents of SB 1125 assert that SB 1036 has led to quite a bit of confusion. SB 1125 clarifies the previous legislation. For the record, I have a letter outlining the issues addressed by SB 1125 (EXHIBITS A & B). A work group is meeting and amendments are being written to address concerns.
025	Chair Bryant	Closes the public hearing on SB 1125.
<u>SB 1206 PUBLIC HEARING</u>		
049	Rich Vial	<p>Attorney, Washington County</p> <p>Submits written testimony and testifies in support of SB 1206, with proposed amendments (EXHIBIT C & D). Discusses the Oregon Planned Community Act and the Oregon Condominium Act.</p> <p>SB 1206 is an attempt to make condominium development and planned community development consistent.</p>
107	David Bennett	<p>Attorney, Washington County</p> <p>Discusses the history of legislation regarding real estate disclosure. Indicates the need to combine planned community and condominium legislation without the redundant disclosure requirements. Discusses the need for a homeowner's association whenever common property needed to be maintained.</p>
166	Howard Feuerstein	<p>Attorney, Multnomah County</p> <p>Discusses history of the legislation surrounding condominium development. The act was not being used because there was very little demand for this type of housing and developers tended not to use this statute because it was confusing. That has changed now and we hope fixing the flaws in this legislation will encourage developers to use this method of development.</p>
205	Vial	Discusses Exhibits C & D, section by section.
241	Sen. Nelson	We passed a bill on the Senate floor, SB 451, concerning the notice requirements. Are those requirements consistent with this bill?
246	Vial	Yes. SB 451 was introduced at the request of a homeowner and we fully support it and wish we had thought of it.
255	Chair Bryant	Indicates that once the final amendments are received, a work session will be scheduled. Closes public hearing on SB 1206.
279	Chair Bryant	Opens informational hearing on PERS Measures

SB 721, SB 722, SB 723, SB 884, SB 910, SB 1133, SB 1134, SB 1135 INFORMATIONAL HEARING

294	Counsel Tweedt	Reviews the PERS bills that have been introduced this session. Indicates they have all been heard before in public hearings and reviews their provisions. Indicates there are amendments to SB 723 and SB 884 (EXHIBITS E & F)
380	Mark Johnson	Actuary Submits written testimony and testifies regarding SB 910, SB 722, and SB 723 (EXHIBIT G). Compares the three bills and summarizes the effects each would have on costs to the employer, retirement income to employees, and other effects of note, of a technical, actuarial or administrative nature.
Tape 143, A		
022	Johnson	Continues explaining and comparing SB 910, SB 722, and SB 723, Exhibit G.
126	Sen. Brown	Asks if there is a contractual obligation to provide funding for the monthly \$60 medical pickup.
137	Chair Bryant	Yes, for those employees already in the retirement system.
139	Sen. Brown	Can that be means tested?
143	Chair Bryant	We could change the law prospectively, for future employees.
146	Johnson	Doing that would produce savings but not for quite a while. There is still an unfunded liability.
150	Sen. Courtney	Asks who submitted SB 910.
151	Chair Bryant	All the bills came from Sen. Derfler or me.
152	Sen. Courtney	Where did the model come from?
156	Johnson	<ul style="list-style-type: none">• The current full formula has been used since 1981. This is one of the three retirement calculations currently being used. SB 910 makes the full formula mandatory for new employees, if passed.
168	Chair Bryant	Each of these bills would mandate a different type of procedure to establish retirement income.

180	Johnson	<ul style="list-style-type: none"> • SB 722 would have a pension plan plus an annuity that is funded by the employees. • SB 723 uses the Money Match Method. The range of replacement income is very wide since it is based on the size of the account. The benefits could vary widely. SB 723 is more volatile and the costs are greater to the employer. <p>Any savings will not happen quickly. Over 30 years the percentage savings will be fully realized. Savings will start slowly and not be realized for a while since only new employees will be in this plan.</p> <p>Discusses the calculation of disability benefits and the public safety employee benefits under these three bills.</p>
409	Sen. Nelson	What was PERS goal for retirement income?
421	Johnson	Their goal is to replace 75% of pre retirement income from PERS and Social Security after 30 years of service.
444	Sen. Nelson	Could you please review the specifics of these three bills again?
451	Johnson	Reviews the specifics of SB 910, SB 722 and SB 723.
Tape 142, B		
024	Sen. Brown	The bills you have discussed do not resolve the unfunded liability problems.
026	Johnson	That's correct. Many of the large employers have unfunded liabilities that won't be addressed by these bills.
034	Sen. Brown	How much did we save after instituting Tier 2?
037	Johnson	The difference between Tier 1 and Tier 2 is slightly less than 1% of pay. Tier 1 has a minimum interest rate and retirement age of 58. Tier 2 has no minimum guaranteed interest rate and the retirement age is 60.
072	Sen. Courtney	Do the income replacement goals reflect Social Security income?
077	Johnson	Discusses Social Security replacement rates and how they combine with PERS.
098	Chair Bryant	Aren't the benefits included in that goal?
101	Sen. Courtney	So PERS is just hoping that Social Security replaces enough income. SB 723 is not very good for Police and Fire and neither is SB 722.

112	Johnson	That's right it doesn't work for them. If you look at the changes we made to SB 722 it is better than it was.
128	Sen. Courtney	Taking everything into account, if PERS replaces 50% of pre-retirement income, is it a good deal?
134	Johnson	Discusses the goals of retirement income. Indicates that 75% of pre-retirement income maintains the standard of living for retirees. PERS counts on Social Security to supplement employees pension benefits.
144	Sen. Courtney	Is health insurance retained in these bills?
149	Johnson	My understanding is that all three of these bills, SB 722, SB 723 and SB 910 retain the ability to get the \$60 subsidy at Medicare eligibility age.
155	Sen. Courtney	Do they have to be in an HMO? Can they choose their own doctors?
157	Johnson	I don't have that information.
160	Steve Delaney	Government Relations, PERS I am not an expert on health insurance, but I do know that the bills do not take away the current benefits being offered to retirees. They would be the same as currently offered to Tier 2 retirees.
168	Chair Bryant	If more retirement income is needed, then you can save for retirement to supplement your pension or else work longer to increase your benefit.
176	Sen. Brown	Don't we have a fairly large percentage of employees making \$30,000 or less a year?
181	Robert Muir	Department of Justice Very few make more than \$30,000.
189	Sen. Brown	If their PERS benefit is going to be about 50% of their salary, then that would be about \$15,000 a year, without any Social Security?
191	Muir	That's right.
194	Chair Bryant	Please explain the cost of living adjustment (COLA).
196	Johnson	Currently, on August 1, retirees receive a COLA that is capped at two percent of their benefit. If the previous year's inflation index is less than two percent, then

		they are credited with that amount. However, a bank is kept in those years when the COLA exceeds two percent and is used, if available, to supplement those years when the inflation index is less than two percent. The practical effect of this is that most retirees are given a two percent COLA each year.
236	Chair Bryant	Discusses memo received from Fred McDonnal in answer to the questions asked at the previous hearing on PERS issues (EXHIBIT H). Indicates that copies of some legal opinions and questions have been provided also (EXHIBITS J & K). Closes the hearing at 4:25 p.m.

Submitted By, Reviewed By,

Judith Minnich, Anne Tweedt,

Administrative Support Counsel

EXHIBIT SUMMARY

A ñ SB 1125, written testimony from John Junkin, 4 pp

B ñ SB 1125, written testimony dated April 22, 1999, Beth Vargas Duncan, 1 pp

C ñ SB 1206, written testimony submitted by Barbara Kanz, 2 pp

D ñ SB 1206, written testimony submitted by Barbara Kanz, 12, pp

E ñ SB 723, -1 amendments dated 3/19/99, 3 pp

F ñ SB 884, -1 amendments dated 3/23/99, 11 pp

G ñ SB 910, SB 722, SB 723, written testimony, Mark Johnson, 13 pp

H ñ PERS measures, written testimony submitted by Fred McDonnal, 3 pp

I ñ SB 722, SB 723, SB 910, written testimony from Denise Yunker, 1 pp

J ñ PERS measures, written testimony submitted by Robert Muir, 5 pp

K - PERS measures, written testimony submitted by Robert Muir, 5 pp