

SENATE COMMITTEE ON LABOR AND GOVERNMENT OPERATIONS

April 26, 1993 Hearing Room B 8:00 a.m. Tapes 105 - 106

MEMBERS PRESENT: Sen. Tricia Smith, Chair Sen. Karsten Rasmussen,
Vice-Chair Sen. Brady Adams Sen. Wes Cooley Sen. Karsten Rasmussen

STAFF PRESENT: Joan Van Almen, Committee Counsel Stasi Kitchen,
Committee Assistant Stephanie Holmes, Committee Co-Counsel

MEASURES CONSIDERED: SB 167 - Work Session SB 437 - Public
Hearing & Work Session SB 439 - Public Hearing & Work Session SB 376 -
Public Hearing SB 442 - Public Hearing & Work Session

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These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes. [--- Unable To Translate Graphic ---]

TAPE 105, SIDE A

003 CHAIR SMITH calls the meeting to order at 8:30 a.m. and opens a work session on SB 167.

SB 167 - WORK SESSION

011 STEPHANIE HOLMES, Co-Counsel reviews the SB 167-1 through -6 amendments. - the -1 were incorporated previously in the bill - the -2 remove term limitations for all board members - the -3 remove the Real Estate Agency, the Real Estate Board and the Real Estate Commissioner - the -4 remove the Appraiser and Certification Licensure Board - the -5 remove the Construction Contractors and Landscape Contractors

boards - the -6 are technical or housekeeping, except the three triangles

052 MOTION: SENATOR ADAMS moves that the SB 167-5 (LC 833 dated 4/23/93) amendments BE ADOPTED.

065 VOTE: CHAIR SMITH, hearing no objection to the motion, declares the motion PASSED. SEN. KERANS is EXCUSED.

067 MOTION: SENATOR ADAMS moves that the SB 167-3 (LC 833, dated 4/23/93) amendments BE ADOPTED.

078 VOTE: CHAIR SMITH, hearing no objection to the motion, declares the motion PASSED. SEN. KERANS is EXCUSED.

085 MOTION: CHAIR SMITH moves that the SB 167-6 amendments (LC 833 , dated 4/23/93) BE ADOPTED.

085 VOTE: CHAIR SMITH, hearing no objection to the motion, declares the motion PASSED. SEN. KERANS is EXCUSED.

087 MOTION: SEN. ADAMS moves that SB 167, as amended with the -1, -3, -5 and -6 amendments, be referred to Trade and Economic Development Committee with a DO PASS recommendation.

104 VOTE: In a roll call vote, SENS. COOLEY, SPRINGER, ADAMS, RASMUSSEN and CHAIR SMITH vote AYE. SEN. KERANS is EXCUSED.

107 CHAIR SMITH declares the motion PASSED, closes the work session on SB

167 and opens a public hearing on SB 437.

(Tape 105, Side A) SB 437 - PUBLIC HEARING

Witness: Bob Andrews, Public Employes' Retirement System

134 BOB ANDREWS, Public Employes' Retirement System, submits and summarizes testimony in support of SB 437 (EXHIBIT A).

158 SEN. ADAMS: On page 2, line 38 refers to "the fund in ORS 237.153."

Does this statute more clearly define the descriptions?

171 MR. ANDREWS: Yes, it takes out that litany on page 2. Section 3 on page 3 takes out a similar litany and at the end of Section 3 on page 5, there is a new subsection 5 added on line 17 which spells out for both

of these areas what is "a school employee."

178 SEN. ADAMS: On page 2, line 35 talks specifically about employees of

the Children's Services Division, etc. On page 5, in lines 17 through

22 those specific references are removed while some of the others are maintained. I assume ORS 237.153 includes language that would bring in those agency that were not mentioned on page 5.

192 MR. ANDREWS: The Children's Services are the MacLaren and Hillcrest schools.

196 SEN. ADAMS: How about the Department of Corrections? Would that be MacLaren?

198 MR. ANDREWS: At a previous time, yes. The language on page 2 is old

language. MacLaren and Hillcrest used to be under Corrections.

204 SEN. ADAMS: Are we adding or taking away anybody?

204 MR. ANDREWS: None.

209 CHAIR SMITH closes the public hearing and opens a work session on SB 437.

(Tape 105, Side A) SB 437 - WORK SESSION

213 MOTION: SEN. ADAMS moves that SB 437 be sent to the Floor with a DO PASS recommendation.

216 VOTE: In a roll call vote, SENS. COOLEY, SPRINGER, ADAMS, RASMUSSEN and CHAIR SMITH vote AYE. SEN. KERANS is EXCUSED.

220 CHAIR SMITH declares the motion PASSED. SEN. ADAMS will carry SB 437 on the Floor.

227 CHAIR SMITH opens a public hearing on SB 439.

(Tape 105, Side A) SB 439 - PUBLIC HEARING

Witnesses: Bob Andrews, Public Employes' Retirement System Kingsly Klick, Office of State Court Administrator

245 BOB ANDREWS, Public Employes' Retirement System, submits and summarizes written testimony in support of SB 439 (EXHIBIT B).

316 SENATOR COOLEY requests that Mr. Andrews clarify how this bill affects judges.

321 MR. ANDREWS gives an overview of the laws applying to judge members of PERS.

350 SEN. COOLEY: Are they presently being treated the same way?

351 MR. ANDREWS: Administratively, they are being treated the same way, it was just left out of the statutes.

364 KINGSLY KLICK, Deputy State Court Administrator, submits and summarizes proposed amendments for SB 439 (EXHIBIT C).

TAPE 106, SIDE A

020 SEN. COOLEY: Are employees under the PERS system currently credited for their probationary period?

018 MR. ANDREWS: It is available as a purchase; today it is not available to judge members.

035 SENATOR SPRINGER announces he may have a potential, potential conflict in regard to SB 439. "I served as a deputy district attorney in Multnomah County, a non-PERS system, prior to coming to the Legislature, though I cashed out and later bought back in, if I were to find myself

at some remote point in the future eligible for the judicial system, would I potentially benefit by this?"

045 MS. KLICK: Yes. But my question is it whether, when you bought back

in, you had enough time to purchase the probationary period or is something you cannot do until you retire.

051 MR. ANDREWS: It would depend on what you purchased under the old system and whether that was all time or exclusive of a waiting time.

057 CHAIR SMITH closes the public hearing and opens a work session on SB 439.

(Tape 106, Side B) SB 439 - WORK SESSION

063 CHAIR SMITH: The committee only received the (amendment) request from the State Court Administrator this morning. There is a fiscal impact but we are not sure how much. My preference would be, given our bill load, to move SB 439 to the Floor. The State Court Administrator could pursue their amendment through the Fiscal Office and deal with it in the House.

078 MOTION: CHAIR SMITH moves that SB 439 be sent to the Floor with a DO PASS recommendation.

080 VOTE: In a roll call vote SENS. COOLEY, SPRINGER, ADAMS, RASMUSSEN and CHAIR SMITH vote AYE. SEN. KERANS is EXCUSED.

084 CHAIR SMITH declares the motion PASSED. SEN. SPRINGER will carry SB 439 on the Floor.

090 CHAIR SMITH opens a public hearing on SB 376.

(Tape 106, Side A) SB 376 - PUBLIC HEARING

Witnesses: Sen. Grattan Kerans Rollie WiSB rock, Oregon State Treasury Dan Smith, Oregon State Treasury Robert Muir, Department of Justice Fred McDonnal, Public Employes' Retirement System

093 SEN. ADAMS declares a potential CONFLICT OF INTEREST as president of a financial institution.

098 SENATOR GRATTAN KERANS, DISTRICT 20, testifies in support of SB 376.

187 CHAIR SMITH: This would allow retirees to choose some fairly significant factors in how their retirement fund is invested. We will probably hear that is not a good idea and it sets a precedent. Do you see this as a problem?

195 SEN. KERANS: I felt there was a legitimate concern that ought to be weighed carefully. One of the beauties of our present system is we have done our best to de-politicize the investment process by giving broad investment concepts on behalf of the Treasurer and the OIC within the prudent person rule. I agree that is a concern.

233 SEN. COOLEY: Would the individuals have a selection or would the State Treasurer still have at his discretion where to put this money into Oregon. The PERS fund is about \$24 billion. The Treasury has a duty to try to maximize returns. Are we taking some of the power away from the Treasurer when we are talking about five or 10 percent of the total fund?

259 SEN. KERANS: I think the amounts should be a small amount--five percent or less. It would be permissive. The Treasurer will tell you that (4) of Section 2 is a hangup. I am willing to have that removed

and give greater flexibility to the Treasurer and OIC to do this and they would

not be required to invest it if they cannot find an opportunity. We want to make it as permissive as possible. I would suggest we make it

smaller, broader and give greater flexibility to the Treasurer in order to do that.

322 CHAIR SMITH requests that witnesses respond to Senator Kerans testimony in addition to their testimony on SB 376.

326 ROLLIE WISB ROCK, Chief of Staff to the Oregon State Treasury, submits

and summarizes testimony in opposition to SB 376 on behalf of Treasurer Hill (EXHIBIT D).

406 MR. WISB ROCK, in response to Sen. Kerans' testimony, adds that the Treasury supports the intent of investing in Oregon. The concern is we not violate the fiduciary responsibilities. No matter how we cut the percentages, we still think there is that risk. I will defer discussion of that to Mr. Muir of the Justice Department as to whether we may still have a significant fiduciary conflict by too narrowly allocating funds

to a region without concern for the amount of return vs. risk that would be involved in that investment. Too, we are very concerned with the laundry list.

Sen. Kerans also mentioned divesture. The concept of divesture in opposition to apartheid is with a stand the State took that has similar social connotations to it. Under the legislation, the prudent person rule was still prominent.

TAPE 105, SIDE B

014 MS. WISB ROCK: Mr. Smith can give more detailed information on what our holdings in Oregon are and what our posture toward economic development is.

015 DAN SMITH, Director, Investment Division, Oregon State Treasury, submits and summarizes written testimony in opposition to SB 376 (EXHIBIT E).

034 CHAIR SMITH: If this bill said one percent, would you have to do anything?

035 MR. SMITH: As I read the bill, yes because we are talking about giving members an option for their contribution.

038 MR. WISB ROCK: It would mean we would have to segregate the allocations. Now we have the preference of looking for the best investments that would give the highest return. As the bill is stated we would have to

focus those in a particular investment category and would be responsible for doing that even if the return would not be the same as investing in other options.

044 MR. SMITH: The Treasury would also be required to deposit those with a financial institution.

048 CHAIR SMITH: Sen. Kerans talked about deleting that requirement and allowing the Treasurer to do the investing.

052 MR. WISB ROCK: I understand that, but there would still be a problem.

053 MR. SMITH continues reading his prepared statement (EXHIBIT E).

113 ROBERT MUIR, Department of Justice: When you have a mandate, it poses a very practical difficulty for the fund and its agency. It would be very difficult to negotiate with any institution when they know we are required to place money with them.

123 CHAIR SMITH: If that requirement were removed as Senator Kerans suggested, where would the problems still exist?

14 MR. MUIR discusses the legal problems he sees with the bill as written.

168 FRED MCDONNAL, Director, Public Employes' Retirement System, testifies in opposition to SB 376 because it may be in conflict with the Board's

goals and there is an administrative impact.

234 CHAIR SMITH closes the public hearing on SB 376 and opens a public hearing on SB 442.

(Tape 105, Side B) SB 442 - PUBLIC HEARING

Witness: Bob Andrews, Public Employes' Retirement System

250 BOB ANDREWS, Public Employes' Retirement System, submits and summarizes written testimony in support of SB 442 (EXHIBIT F).

301 CHAIR SMITH closes the public hearing and opens a work session on SB 442. (Tape 105, Side B) SB 442 - WORK SESSION

304 MOTION: SENATOR ADAMS moves that SB 442 be sent to the Floor with a DO PASS RECOMMENDATION.

308 VOTE: In a roll call vote SENS. COOLEY, ADAMS, RASMUSSEN and CHAIR SMITH VOTE AYE. SENS. KERANS and SPRINGER are EXCUSED.

314 CHAIR SMITH declares the motion PASSED. SEN. COOLEY will carry SB 442 on the Floor.

316 CHAIR SMITH closes the work session on SB 442 and declares the meeting adjourned at 9:45 a.m.

Transcribed and submitted by,

Annetta Mullins Committee Assistant

EXHIBIT SUMMARY

A - SB 437, prepared statement, Bob Andrews, 1 p B - SB 439,
prepared statement, Bob Andrews, 1 p C - SB 439, proposed amendment
and correspondence, Kingsly Klick, 5 pp D - SB 376, prepared
statement, Rollie WiSB rock, 3 pp E - SB 376, prepared statement, Dan
Smith, 2 pp F - SB 442, prepared statement, Bob Andrews, 1 p