 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.

HOUSE COMMITTEE ON LABOR

January 18, 1991Hearing Room D 8:30 a.m.Tapes 2 - 5

MEMBERS PRESENT:Rep. Gene Derfler, Chair Rep. Kevin Mannix, Vice-Chair Rep. Sam Dominy Rep. Jim Edmunson Rep. Rod Johnson Rep. Bob Repine Rep. John Watt

MEMBER EXCUSED:

VISITING MEMBER:

STAFF PRESENT: Victoria Dozler, Committee Administrator Johanna Klarin, Committee Assistant

WITNESSES: Tony Meeker, State Treasurer Michael T. Ryan, Assistant to state Treasurer John Radford, Executive Dept., Accounting Division Nancy Crandall, Deferred Compensation Program Sheryl Wilson, Public Employees Retirement System Bob Muir, Assistant Attorney General Gary Brubaker, Cash Management Division of State Treasury Don Satchell, School Education Association

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TAPE 2, SIDE A

007 CHAIR DERFLER: Calls the meeting to order at 8:30 a.m.

PUBLIC HEARING HB 2151

017 MICHAEL RYAN: Gives a brief outline of today's presentation: Overview of the Federal Government and Congressional action that precipitated the response from the Oregon State Treasury and the Executive Department, current status of the program itself, and how the drafting process is going to be done to define the roles and responsibilities as the new program is being made available to Oregon State employees.

050 TONY MEEKER: Presents background information concerning the legislative reform concepts in regard to HB 2151, resulting from the passage of the Financial Institutions Reform, Recovery and Enforcement Act by Congress in 1989 (FIRREA), (Exhibit A).

144 Mr. Meeker gives a brief history of Oregon's Deferred Compensation Program (Exhibit A, II, page 1).

243 CHAIR DERFLER: When Bank of America took over the Benjamin Franklin Savings and Loan, what obligation did they have to the depositors?

246 MR. MEEKER: It depends what kind of deposit agreement one has with the bank. The Bank of America has honored all of their deposit contracts and all the contracts they have with the State of Oregon for deferred compensation deposits.

In view of the banking climate, the potential changes that Congress will make in the future, and the future retirement of thousands of participating employees in question, we approached this issue with a modernized approach. House Bill 2151 is a very thoughtful and long-range approach to this problem.

313 REP. DOMINY: Is all of deferred compensation safe according to this plan?

315 MR. MEEKER: Yes.

316 REP. DOMINY: Without this change would we only be covered for a small part of it? Is that the gist of it?

318 MR. MEEKER: The gist of it is that 80 plus million dollars are in two savings institutions that are currently insured by the FDIC Saif Fund. March 1992 that insurance goes away. If this law is not passed, we have in place a plan which the Council would institute. There are two options: 1) we could require the banks to provide 100% collateral for the deposits (meaning all of the money would have to be invested in instruments that are authorized under the statutes as collateral), 2) we could withdraw the money. The State of Oregon has a contractual obligation to its employees to protect those assets.

352 REP. DOMINY: What will the backing be for this money?

360 MR. MEEKER: We have to guarantee, at least in principle, to the employees that their deposits will be recovered. The worst case is that if we don't act, and the insurance goes away, and one of those institutions fails and they don't cover the deposits, I would be here to ask you for money.

372 REP. DOMINY: So the State is really the one who is backing the funds.

373 MR. MEEKER: In the end, yes.

376 CHAIR DERFLER: What I hear you saying is that you would like to get rid of the obligation of investing those funds and put them in PERS who has a program already set up.

381 MR. MEEKER: Administratively it fits better.

400 REP. JOHNSON: What is going to be the impact on the interest rate perceived by the ultimate holders of these moneys?

404 MR. MEEKER: Currently the contracts are entered into annually by each one of the providers of this particular benefit. The employee has a series of options on a yearly basis as to what those interest rates might be. The same would be true no matter what kind of contract we would run.

430 REP. JOHNSON: I think I am missing the central key of this whole

thing. Right now as I understand it, the moneys are controlled by your department in a separate account, and there is a problem because the Federal Government changed the rules, and you don't have any insurance anymore. You are proposing to transfer this account over to PERS, but I don't see it to do anything magic.

TAPE 3, SIDE A

009 MR. MEEKER: The current system functions like this: The Executive Department has put out requests for proposals. Institutions throughout the country have offered their response to deferred compensation idea, and currently an employee has nine options to choose from. He/she can deposit the money in a credit union, in a savings and loan, or deposit the money with an insurance company. The programs are different, as well as the interest rates they offer. These providers have been selected in a competitive process. The bulk of the people using this system had chosen the two savings institutions (out of 135 million dollars 83 million plus was in those two institutions) because they offered a little higher interest rate and $100,000 insurance per participant.

034 One of the problems with the statute is that nobody is in charge. The Executive Department would go out to get bids and make recommendations to the Oregon Investment Council every four years. The Council would adopt from the recommendations. There is no mechanism, except through the contract between the State and the institution, to cancel or to alter in view of changing events.

061 We are suggesting that we pattern the Deferred Compensation System after the Public Employees Retirement System. It has a built-in, day-to-day management capability, built-in flexibility, and on the benefit side it would be administered by the same people that administer the PERS benefits. The employee goes to one place to receive the options available under this plan. The change we are proposing puts in place the kind of day-to-day management control to face crisis just like this one.

071 REP. DOMINY: If there needed to be a bail-out, are the PERS funds safeguarded though they would be under the same umbrella?

076 MR. MEEKER: It would be over my dead body as long as I am the State Treasurer. We cannot allow, ever, trust funds to be used for other than their purpose.

095 REP. JOHNSON: The consolidation of the administration of these two funds still doesn't get around the FDIC regulation as far as being able to invest 80 million dollars in one savings and loan and have it insured for the full 80 million. Am I correct?

097 MR. MEEKER: There is no magic solution to that, however what you would have in place is a mechaniSMthat can deal with it. The Oregon Investment Council can be in a position to adopt policy to deal with it. We don't want to presuppose any particular investment strategy with those moneys.

111 REP. JOHNSON: Would it be fair to say that this crisis with insurance and the change of rules at the federal level was a precipitant of thinking about the defects in the existing system that provides no flexibility, and that it would be better to transfer these funds to PERS because they review things once a month and not once every four years?

116 MR. MEEKER: I couldn't have said it any better.

123 REP. WATT: Will we receive fiscal impact information concerning these programs.

124 MR. MEEKER: Yes.

133 JOHN RADFORD: The Executive Department is in favor of HB 2151. Provides supplemental statistical information concerning the Deferred Compensation Plan and outlines the changes that the bill proposes to the current program (Exhibit B).

187 REP. DOMINY: Will there be less people administering the program through this change, or different people?

188 MR. RADFORD: There will be less of a bureaucratic structure to deal with, not necessarily less people.

Mr. Radford outlines the changes to the current program (Exhibit B, page 3).

227 REP. WATT: Please explain further section 3 on page 3. Does that allow an additional option to the existing nine for investment opportunities through Oregon State Treasury?

230 MR. RADFORD: Yes that is correct.

240 REP. JOHNSON: It seems that we are consolidating administration for similar functions, are there any figures what the cost savings for the State would be?

243 MR. RADFORD: We have done preliminary work on the cost of the program. They include some one-time costs to transfer the physical equipment and employees to other PERS sites and there are going to be some ongoing operating costs to the program. Currently the investment earnings pay for the administrative costs, the cost of maintaining account balances, preparing statements, etc. With the State providing an investment option, we would have to provide the manpower, apparatus and equipment necessary to provide the administrative cost of that investment option.

261 REP. DOMINY: Just to clarify, that is not a cost from the general fund but from the employees participating in the Deferred Compensation.

264 MR. RADFORD: That is correct.

264 REP. JOHNSON: The cost would come out of the participants' pockets?

268 ME. RADFORD: Yes, if the participant uses the State investment option that would eventually result into lower net interest earnings to the employee.

273 REP. JOHNSON: If the proposed changes result in savings in the general fund, I would be interested to know what the numbers are.

284 MR. RADFORD: All the administrative costs will be moved to PERS.

290 REP. JOHNSON: Are the people in the Accounting Division presently paid by the State?

293 MR. RADFORD: No.

303 REP. DOMINY: Who selects the advisory Council, how long of a term?

307 MR. RADFORD: The advisory counsel was created by the Accounting Division approximately nine months ago. Members are not represented in the management of this program, so we felt that the participants should have some way to influence the decision making process. Letters were sent to participants to elicit volunteers to serve on the advisory committee.

334 REP. DOMINY: Currently we don't have in statute anywhere that this advisory council exists, is that correct?

336 MR. RADFORD: Yes that is correct.

338 REP. DOMINY: Is this advisory board similar to a credit union board?

341 MR. RADFORD: Credit union board would probably have the administrative responsibility to directly make decisions and manage the program, whereas an advisory board is for advice only to the PERS board.

353 SHERYL WILSON: PERS and its board of trustees are happy to accept the new responsibility to administer the Deferred Compensation Program. The board sees it as an added opportunity to carry out PERS' mission which is to ensure that our members are afforded to enjoy a satisfying retirement.

More emphasis is placed on the role of personal savings in a comprehensive retirement program. Having the Deferred Compensation under the PERS administration will afford the State employees several advantages:

Pre-retirement education; allows the employee one point of reference.

Coordination of all retirement benefits.

Bringing the administration under PERS would afford the program and participants a higher visibility; would have an advantage in terms of marketing.

The creation of the advisory committee is an other link to the participants in the program to influence the decision making process.

460 REP. DOMINY: What is the make-up of the present seven-member advisory board?

TAPE 2, SIDE B

014 SHERYL WILSON: The seven-member panel are all participants in the current system of the State employees.

020 REP. JOHNSON: Have you reviewed the actual wording of the new statute that would result from this bill; that all the things that are needed to have the power to administer this new function are covered to your satisfaction?

026 SHERYL WILSON: Yes. This bill is a result of participation of a lot of people and we have been involved in the drafting process. The board is very comfortable with the language.

031 REP. JOHNSON: Are there any persons or groups that are opposed to this change?

032 SHERYL WILSON: I am not aware of any.

034 REP. REPINE: Does the new program created by the Treasurer's Office as another option have any impact on the present investments of PERS?

037 SHERYL WILSON: They are two entirely separate funds--the PERS fund is a trust. The entire investment philosophy would be different for the Deferred Compensation Program.

043 CHAIR DERFLER: In PERS the board does the investing, who is going to make the final decisions for the Deferred Compensation if the board's position is advisory?

047 SHERYL WILSON: The PERS board no longer invest PERS trust fund. The sole authority to invest that money is vested with the Oregon Investment Council which is staffed through the Office of State Treasurer. The same mechaniSMwould be in place for the Deferred Compensation funds.

051 REP. WATT: Will the same FTEs from the Accounting Division go over to PERS department, or will they be terminated and new people hired?

054 SHERYL WILSON: Our plan is to transfer the existing staff under our administration.

066 REP. REPINE: Is there an emergency clause on this?

069 MICHAEL RYAN: For program implementation purposes it would be better to set a date for July 1, 1991.

084 REP. EDMUNSON: Wouldn't it be reasonable to have the law effective immediately so you could have your rules in place by July 1.

093 MICHAEL RYAN: That would seem logical. I would like to confer with all of the colleagues and individuals who have brought this before you.

Mr. Ryan explains to the committee how the blank (HB 2151, section 7) is going to be filled for the administration costs.

100 MICHAEL RYAN: The fiscal impact information determines that the percentage to be applied to keep this entire program outside of the general fund would be a fraction of a percentage.

111 REP. REPINE: I understand one pays approximately 1 1/2% on the existing programs.

112 MICHAEL RYAN: On the amounts that are monthly deferred, yes. The proposed program would alter that and would allow a percentage be applied to the total funds.

129 GARY BRUBAKER: We are still working on the fee structure. We believe it would be less than two percent but we could go back and put the two percent in there and it would cover the cost of the program. The current program charge is 1.5%.

139 REP. JOHNSON: Whatever the percentage that is put in, the money is taken away from the State employees who are participants in this Deferred Compensation Program.

140 MR. BRUBAKER: That is correct.

141 REP. JOHNSON: So the lower we squeeze this down to the actual

percentage necessary the participants will be better served as far as having less money taken out from their account.

143 MR. BRUBAKER: That is probably not the case. Trying to squeeze the percentage as low as possible could become a problem if the program, for some reason, became more expensive for one reason or another.

153 REP. JOHNSON: Do you have an estimate what the actual expenses would be, stated as a percentage.

160 MR. BRUBAKER: I believe that 1.5% would carry the ongoing costs. Since there will be some one-time costs associated with the move, the percentage probably would need to be higher than that at least for a short period of time.

166 MR. RYAN: This legislation calls for the Treasury to be in a position to offer an additional option to public employees. If we are trying to approaching this from a base of trying to maximize dollars relative to the Treasury or something else, we are going to prize ourselves out of competition with the other program options. It is in our interest and the public employees' best interest to try to implement a program that 1) maintains its integrity outside of the general fund, and 2) offers competitive, attractive, prudent and secure investment options to the public employees. It must be maintained streamlined but also offer an attractive product to our Deferred Compensation participants.

185 REP. JOHNSON: Where has the percentage been historically?

187 MR. RYAN: It was at one percent until some time ago when the program grew and staff had to be added at the Deferred Compensation Program in order to adequately serve the participant.

195 REP. JOHNSON: It appears to me that since the program gets bigger the percentage rate would be driven into another direction.

200 JOHN RADFORD: Past year we have experienced a significant growth in the number of new accounts. In addition, a couple of years ago, the rate was set lower that it should have and we ended up in a deficit position. Six months ago that rate was adjusted from 1% to 1.5% per deposit dollar to recover the cash deficit and add new staff. I would recommend to leave the flexibility in.

247 REP. JOHNSON: 1.5% is still not a true reflection of the ongoing costs at this point, since it was used to pay past deficits.

252 JOHN RADFORD: That is correct.

279 DON SATCHELL: The problems that Mr. Meeker described are also true for the schools, cities and counties of the State of Oregon. The solutions that he proposed would also apply and resolve their problems. I request that you include schools, cities and counties in this bill.

295 REP. DOMINY: Have you drafted any amendment.

298 DON SATCHELL: No I haven't.

Rep. Dominy elicits Ms. Wilson's opinion on the above issue.

309 SHERYL WILSON: I hear this for the first time now. Local governments have expressed similar interests. At this point I would need to get more information, but my initial reaction is positive.

324 REP. DOMINY: Would you have an administrative problems with this?

328 SHERYL WILSON: No, it makes sense that what we do applies to all the public employees we serve.

340 CHAIR DERFLER: Refers to section 3 in HB 2151 concerning this issue.

245 MR. RYAN: We have attempted to recognize this issue but not knowing the size, the frequency or the amount of money possible, we looked at it from a best management point of view.

382 BOB MUIR: Section 3 of the bill amends ORS 243.430. The original section had a special provision in it that permitted the State to invest monies from local governments to mutual funds. Subsequent to a litigation several years ago concerning the legality of investing in mutual funds, that particular provision was eliminated. The concept that the program could invest the moneys of local governments was there but was inoperative. Creation of a pooling system was suggested. Mr. Muir refers to HB 2151 page 2, lines 41 and 42. This means that local governments could come together and form a pool and establish a pool governing body by which their own deferred compensation funds could be turned over to the Oregon Investment Council for investment through its contracts.

TAPE 3, SIDE B

018 CHAIR DERFLER: Could Mr. Satchell turn to the Council and ask them to invest his money.

020 BOB MUIR: Yes he could.

022 REP. DOMINY: What happens if the Portland School District would be the only one who would want to pool their funds? Can they do that by themselves or do they have to have a pool with some other school district?

028 BOB MUIR: Though the language contemplates a pool, it does not require it. An individual local government could come to the Treasurer's Office and that would be the pool (consisting of one member).

046 CHAIR DERFLER: Would the Council have the option to say no to the applicant.

047 BOB MUIR: It could say no.

048 REP. JOHNSON: Local governments, schools, cities and counties can participate in the normal retirement system of PERS, correct?

059 BOB MUIR: I am not very knowledgeable about that, I think they can.

063 REP. JOHNSON: Why cannot we apply the same language that allows these employees participate in PERS to the Deferred Compensation Plan?

065 BOB MUIR: The two programs are different in many ways, only some of the language applies to both programs. The Deferred Compensation Program is a program involving State funds. It is important that the control over those funds be limited. The State has the responsibility to preserve the tax exempt status of those funds, not to yield to much control of them. In contrast PERS funds are trust funds. Those trust

funds are subject to trust principles. We should not mix these two legal classifications.

088 REP. WATT: Presents a question in regard to section 4 of HB 2151. What is the maximum allowable at this point?

094 NANCY CRANDALL: The current federal law is $7500 annually up to 25% of maximum salary during the year.

WORK SESSION ON HB 2151

MOTION

107 REP. DOMINY: Moves, in concurrence with HB 2151, to amend the bill by adding 2% on section 7, page 4, line 10.

114 REP. JOHNSON: I think 1.5% is adequate.

128 REP. DOMINY: I have no fear that the agency is going to abuse its administrative costs. Asks the Chair if this bill has a subsequent referral to Ways and Means Committee.

130 CHAIR DERFLER: No.

134 REP. DOMINY: I would like to hear from the agency more about this specific point that Rep. Johnson raises, whether 1.5% is an adequate amount.

141 GARY BRUBAKER: I do not believe that 1.5% would adequately fund this program to include the one-time costs.

150 REP. DOMINY: Our intention is not to tax people and add more bureaucracy. I am convinced that 2% is a realistic figure.

VOTE

In a roll call vote the motion carries with representatives Derfler, Dominy, Edmunson, Repine and Watt voting AYE; representative Johnson voting NAY. Representative Mannix is absent.

182 REP. DOMINY: I have a conceptual amendment to the bill to include local government and school employees.

185 CHAIR DERFLER: You don't feel it is already included in the bill?

187 REP. DOMINY: The definition section describes an eligible employee as an officer or employee of a state agency. Obviously local government employees are not state officers.

200 REP. REPINE: I am uncomfortable moving this to the floor without bringing it back to the committee for further considerations.

MOTION

209 REP. DOMINY: Moves that the committee asks Legislative Counsel to prepare an amendment which would cover the issue of including local government employees as well as school employees, community colleges and persons who would otherwise be eligible to participate in PERS.

218 REP. JOHNSON: Refers to section 3, page 2, line 41. Doesn't this language take care of this issue.

225 REP. DOMINY: This language doesn't require that the option be given to the above mentioned groups.

240 BOB MUIR: The language is intended to be permissive and not mandatory for the following reason: It is not practicable to compel a state agency to enter into a contract without defining what the terms of that contract are going to be.

289 REP. DOMINY: For what reason would a school district or someone else not be allowed into the plan?

302 BOB MUIR: Some of the reasons might be for example if local governments insisted on reporting requirements that are too exacting, administrative fees too low, etc.

321 REP. DOMINY: Why would there be different terms for State agencies from local governments?

330 BOB MUIR: The reason it was made permissive is because there is no existing program. They don't want to impose an unknown program.

REP. DOMINY: Aren't we imposing an unknown program as far as the State employees are concerned?

BOB MUIR: We have an existing program that has been operating for twelve years.

MOTION

355 REP. REPINE: Moves that this bill is not sent to the floor today, the committee should work on it further.

378 REP. JOHNSON: Could we resolve this after a break?

395 CHAIR DERFLER: Excuses the absences of Rep. Edmunson and Rep. Mannix who arrived late.

390 MICHAEL RYAN: We have agreed to disagree. We will bring back a recommendation to you by Wednesday.

407 REP. MANNIX: The basic disagreement is whether or not we are going to make this bill a vehicle for something other than it was. Right now the bill doesn't do anything about state or local government one way or other, is that right?

415 MR. RYAN: There is a provision in the bill that would allow extensive work to be undertaken in a contractual relationship built over time between the Oregon Investment Council and government employers other that the State.

421 REP. MANNIX: In terms of deferred compensation and opportunity to participate, there is an optional, voluntary relationship with local government, is that right?

428 MR. RYAN: Right now the bill is drafted to address the State's interest in the present 151 million dollar program only.

430 REP. MANNIX: Do the local governments have the same problems that this bill is trying to address?

433 MR. RYAN: Yes.

435 REP. MANNIX: This bill doesn't solve that problem.

436 MR. RYAN: No it doesn't. I believe, over time, it would address those questions.

447 REP. MANNIX: Should there be a separate bill to solve that problem?

451 MR. RYAN: I believe that it is possible to have this bill serve as a single vehicle to address the problems across the board.

TAPE 4, SIDE A

PUBLIC HEARING HB 2237

019 VICTORIA DOZLER: Presents a summary of HB 2237.

030 SHERYL WILSON: Currently we are tracking between 5600-6000 of these kind of cases where more than ten years have lapsed. We would like to resolve the staff time and effort involved in this issue. We would like to revert those dollars to the trust fund, but we need a statutory authority to do so.

041 REP. DOMINY: This is very similar to the process where the state acquires the assets of an unclaimed bank account, deposits, etc. Could you reflect upon that?

052 MS. WILSON: I am not prepared to do that.

053 BOB ANDREWS: Within the statute, no I cannot address that question. As a matter of practice, my understanding is that the escheat laws of the State of Oregon don't apply to the PERS trust. As a consequence we are looking towards this.

071 REP. REPINE: The passage of this bill would lessen your administrative load, I assume.

074 SHERYL WILSON: I would hope so.

WORK SESSION HB 2237

MOTION

084 REP. REPINE: I move that HB 2237 be referred to the floor with a "do pass" recommendation.

VOTE

In a roll call vote the motion carries with all those members present voting AYE.

Representative Watt will carry the HB 2237 in the House.

PUBLIC HEARING HB 2239, SECTION I

095 SHERYL WILSON: Summarizes the HB 2239.

123 REP. MANNIX: So right now one has to make the election within 90 days of anticipated retirement. Your bill is proposing that one can make that election at any time. My question is about the whole question of election. If one waits for 25 years one can make an inexpensive payment to buy back the six months of service. What is the fiscal impact of this since the moneys have not been generating interest for

those years?

141 SHERYL WILSON: I am not prepared to discussed this.

144 REP. MANNIX: Suggested that after 10 years of service the employee is offered one year to buy back that six months.

149 SHERYL WILSON: You are looking at an issue of cost containment, which is valid.

162 REP. MANNIX: I am worried about this trend to keep opening up windows of opportunity. I suggest the State give its employees a notice after ten years, one year or six months, to buy into the retirement system. Have you thought of this as an alternative?

178 SHERYL WILSON: That is not the model we used, but it is a legitimate suggestion.

183 CHAIR DERFLER: What is the lost income on that six months?

SHERYL WILSON: On an individual basis it is not a lot of money, but we assume an 8% interest earning.

CHAIR DERFLER: Other people in the organization are subsidizing the people who do buy back.

SHERYL WILSON: Certainly. That is reflected in the employer contribution rate.

195 REP. DOMINY: The only thing this bill does is changes the 90 days prior to retirement to until the date of retirement.

199 SHERYL WILSON: Currently you cannot apply any earlier than 90 days in advance of your retirement and you must make your payment on or before the effective date. This bill says that after you have served 10 years you can make the payment any time between that date and your effective retirement date.

205 REP. REPINE: Is this for all current PERS participants?

SHERYL WILSON: Yes. The bill is crafted to include everyone who has not yet retired.

REP. REPINE: If this language was adopted you would then notify the participants that they are eligible to pick-up that six months.

SHERYL WILSON: It is not clearly explicit in the law, but we would take it into consideration.

221 REP. MANNIX: Suggests the bill be modified as follows on line 9: The member within one year after attaining ten years creditable service has a one year window of opportunity--and then go on with the rest of the language. A requirement of notification of ten years of service by PERS to be added also.

SHERYL WILSON: The board has only authorized this particular version. I could just offer my personal reaction.

REP. MANNIX: I ask that the board react to this.

243 REP. JOHNSON: Could you give an idea of the numbers involved here? These six month periods--what kind of proportion are they? Is it a big

problem?

246 SHERYL WILSON: I would not characterize it as a large problem. Vast majority take advantage of this program.

256 REP. DOMINY: How many members have an options to buy back the six month period?

SHERYL WILSON: With regard to the six month waiting period, everyone is involved in that. You are referring to the second part of this legislation which deals with people who have interrupted their service and taken their money out. I will provide you with that information. We are happy to take this issue back to the board.

With regard to Rep. Mannix's suggestion, under the contract rights that the PERS members enjoy, it could only apply to people who are not yet hired.

295 REP. REPINE: Could I have some clarification on the fiscal impact. The figures shows $86,000 start-up costs. Is that against the general fund?

SHERYL WILSON: That refers to the second section that we have not discussed yet.

304 REP. MANNIX: Is there a limitation then that one has to have ten years of service before enjoying this benefit?

SHERYL WILSON: You are correct.

PUBLIC HEARING HB 2239, SECTION II

322 SHERYL WILSON: Gives a summary of HB 2239, section 2.

WORK SESSION

MOTION

380 REP. MANNIX: Moves to amend HB 2239 by deleting section 1.

384 REP. DOMINY: I assume this meaning that in the summary of the bill references to section 1 will be deleted also. Is that correct?

386 CHAIR DERFLER: Yes.

VOTE

In a roll call vote the motion carries with all those representatives present voting AYE.

MOTION

398 REP. MANNIX: Moves the bill, as amended, to the House floor with a "do pass" recommendation.

VOTE

In a roll call vote the motion carries with all those representatives present voting AYE.

Representative Dominy will carry the HB 2239 in the House.

PUBLIC HEARING HB 2269

420 VICTORIA DOZLER: Gives a brief summary of HB 2269.

TAPE 5, SIDE A

002 SHERYL WILSON: Currently the PERS retirement system requires that a person be disabled for at least 90 days prior to be eligible for disability allowance. It was pointed out that this 90 days doesn't exist either in statute or in rule. This is an administrative application based on a statutory requirement that payment cannot be made until 90 has elapsed, which doesn't mean that 90 days of disablement must be in place. The number of months to define what an extended period of disablement is, is left blank in the bill. We like to recommend six months. That is consistent with the definition of extended duration throughout the insurance industry.

028 REP. MANNIX: You are not going to limit the definition of short term disability by this terminology, but you would be defining clearly what is extended disability.

032 SHERYL WILSON: That is correct. I point out that all we pay is a disability retirement.

034 REP. MANNIX: Would it be easier to use 180 days or 90 days rather than six months.

036 SHERYL WILSON: I think it would be good idea. Almost all contracts of that nature deal in days.

039 REP. DOMINY: Six months are 180 days are the same thing.

043 SHERYL WILSON: It is nice to have a standard that is very easily identifiable.

053 REP. DOMINY: Is this fairly close to what you have been doing by rule? Is it just a matter of making it a statute?

056 SHERYL WILSON: We are currently administering it, as 90 days. This is a more restrictive requirement.

061 REP. DOMINY: I would lean towards a softer approach, six months seems like a long time. Is there a real administrative problem with cutting this time in half?

SHERYL WILSON: Administrative problem is not the issue, it is a policy issue.

090 REP. MANNIX: We are just trying to define what extended duration means, not saying that one has to wait 180 days.

SHERYL WILSON: The individual could apply as soon as they determine they are not going to be able to work.

WORK SESSION

110 REP. REPINE: Amends the bill as follows: On page 2, line 30 the word "months" be deleted and 180 days inserted, and also in the summary to insert 180 days in the same fashion.

119 REP. DOMINY: I don't feel that the 90 days period needs to be

extended.

VOTE

The amendment passes with representatives Mannix, Repine, Watt and Derfler voting AYE. Representatives Dominy and Edmunson voting NAY. Representative Johnson is absent.

MOTION

130 REP. REPINE: Moves that HB 2269, as amended, is referred to the House floor with a "do pass" recommendation.

VOTE

In a roll call vote the motion carries with representatives Mannix, Repine, Watt and Derfler voting AYE and representatives Dominy and Edmunson voting NAY. Representative Johnson is absent.

Representative Repine will carry the HB 2269 in the House.

143 CHAIR DERFLER: Adjourns the meeting at 11:15 a.m.

Submitted by: Reviewed by:

Johanna Klarin Victoria Dozler Assistant Administrator

EXHIBIT LOG:

A	-	Testimony on HB 2151 - Tony Meeker - 24 pages
B	-	Testimony on HB 2151 - John Radford - 5 pages