

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

April 8, 1991Hearing Room D 8:30 a.m.Tapes 92 - 93

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

MEMBERS EXCUSED:Rep. Sam Dominy

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

MEASURES CONSIDERED: HB - 2905 HB - 2906 HB - 3122

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TAPE 92, SIDE A

003 CHAIR DERFLER: Opens the meeting at 8:30 a.m.

PUBLIC HEARING, HB 2906 (Exhibits A,B,C,D & E)

Witnesses:Fred Miller, Executive Department Don Kronser, Children's Services Division Alice Dale, Oregon Public Employees Union Jim Dyer Sheryl Wilson, Public Employees Retirement System Mary Bodtkin, American Federation of State, County and Municipal Employees

CHAIR DERFLER: Opens public hearing on HB 2906.

005 DOZLER: Describes the bill.

030 FRED MILLER, Director, Executive Department: The Department is interested in this bill but there are some problems. This would be a valuable tool for the state government. Some of the possible outcomes might not be consistent with what you and we see as the objective of this bill.

-Some of the agencies would experience difficulties if a high percentage of the eligible employees would take advantage of this bill. Gives examples from the Fairview Training Center and the Highway Division.

-I would like to receive a plan from the agency heads as to why the

reductions are necessary.

-We need a little more control, we could have an exodus in some areas which could cause us a problem especially if those positions were not refilled.

-I am supportive of the concept but we need to use in ways where we can predict the outcome.

076 REP. REPINE: Would the implementation of this bill, agency by agency basis, lead us to discrimination cases and a litigation process?

MILLER: That is the problem that we have to steer through.

096 CHAIR DERFLER: Could you take each agency separately and limit the number of people that can retire from that agency?

MILLER: That is the kind of question we need to ask. I think we could. It has to be done in a way that is fair and without coercion. I don't know how we would adjust to those reductions when they are in places like the Fairview Training Center or the Highway Division.

106 CHAIR DERFLER: Taking people off the Highway Division would not really solve any problem to us.

MILLER: The problem is in the general fund. Two thirds of our positions are not generally funded, at least not totally.

CHAIR DERFLER: Discusses the goals of the bill as it relates to Ballot Measure 5.

MILLER: We are generally sympathetic with that goal, but once you open it up to a department, you cannot control whether it is going to be management, upper management, etc.

123 REP. MANNIX: We should be flexible about moving positions around between agencies.

MILLER: I agree.

REP. MANNIX: We are buying vacancies rather than forcing vacancies. The challenge is to create the right vacancies.

MILLER: That is correct. We can make the adjustments with some flexibility.

150 REP. REPINE: Discusses positions in high stress occupations. The goals of this bill are not only profit motivated.

171 CHAIR DERFLER: Where do you think we should go from here?

MILLER: We need to complete our discussions with the Speaker. I am here prematurely. We need to plan how to implement this by agencies.

CHAIR DERFLER: How long would this take?

MILLER: Approximately two weeks.

187 REP. MANNIX: One reason we put this bill on the agenda is to inspire further conversation.

MILLER: I don't believe that arbitrary limitations, such as position limitations, contribute to the credibility of the government.

CHAIR DERFLER: This program would take at least three years to break even.

MILLER: Yes.

223 DON KRONSER, Teacher, Children's Services Division: Testifies in support of HB 2906. Discusses the exclusion of policemen and fire fighters.

CHAIR DERFLER: How would you like to see this to be addressed?

KRONSER: We would like to have equal access to this program.

265 ALICE DALE, Director, Oregon Public Employees Union: Supports the concept of expanding early retirement options for PERS retirees (Exhibit A).

-This is an expensive proposal. It would take three years to finance this.

-The legislature also needs to address the issues of state taxation of retirement benefits and the lack of adequate health insurance benefits for pre-Medicare retirees.

317 REP. EDMUNSON: What is your feeling about Ballot Measure 3 in view of the PERS retirement taxation?

DALE: I believe people really did not understand the impact of Ballot Measure 3.

322 JIM DYER: Testifies in support of the bill (Exhibit B).

-Many people work beyond retirement age because they cannot afford the medical insurance.

386 CHAIR DERFLER: Asks Sheryl Wilson to address other bills in the legislature which relate to this health care issue.

392 SHERYL WILSON, Director, PERS: Discusses the two situations currently in place or potentially in place to address that.

-A considerable subsidy will go in effect on November 1, 1991, (this bill was passed by the 1989 Legislative Session with a deferred effective date).

TAPE 93, SIDE A

004 CHAIR DERFLER: Would that be attractive enough?

DYER: Yes much more than it is now.

018 REP. JOHNSON: Would you summarize exactly how these increased benefits translate to the additional demands on the tax dollar?

WILSON: Refers to the letter from Milliman & Robertson (Exhibit C) which discusses the cost of the benefits by reducing the normal age for

retirement by five years.

-If 2,500 people took advantage of this benefit, the additional liability created for the PERS trust would be \$288 million. This is amortized over a thirty-year period.

-Discusses how the break-even point is calculated.

-This letter compares the cost of the benefits against the salary savings that would accrue by combination of reduced salaries and the add on benefits.

-The salary savings are quite significant.

071 REP. JOHNSON: I don't want numbers, give me the mechanics.

WILSON: Every two years the actuary evaluates the system. Describes the process in detail.

099 REP. JOHNSON: Will the PERS system incur the increased retirement benefits as a cost over a substantial period of time? Thirty years is not necessary the estimate how long it will take or how many years people will be getting these benefits?

WILSON: It is a funding vehicle. The fund doesn't have a cash flow problem. The people that retire would be paid as provided by the statute and the cost of that would be funded over a thirty- year period. It has nothing to do with the actual life expectancy of the retiree.

REP. JOHNSON: Do the employee contributions go up also?

WILSON: No they are fixed by statute at 6%.

REP. JOHNSON: The employers have to contribute more and as a result have less funds to available to other operating costs of their program and consequently come to us for more money.

WILSON: That is kind of the way it works. Explains how HB 2090 (1989 Session) works as it relates to the insurance side of this issue.

139 CHAIR DERFLER: What is magic about the thirty years?

WILSON: Nothing. In the actuarial world it is a common way to fund, especially public retirement systems.

CHAIR DERFLER: We are paying for this over a long period of years.

WILSON: It is similar to paying a mortgage.

150 REP. REPINE: What are the normal number of participants under retirement annually?

WILSON: It is approximately 3,500 a year.

REP. REPINE: Refers to Exhibit D, the list of eligible people to retire under this bill. Would it be fair to say that this would be the bulk of those individuals going out in the next two years?

WILSON: No because the conditions for eligibility are changed by the bill.

178 CHAIR DERFLER: Can we limit the number of retirees from agencies without creating legal problems?

WILSON: I am a little hesitant about that. Refers to Exhibit E, Attorney General's opinion on this question.

-We are concerned about any kind of age discrimination.

-We cannot discriminate against people who are 40 and over, nor in favor of people who are highly paid.

-It is possible to target agencies and limit the number of people that participate.

214 CHAIR DERFLER: We could take the Highway Division and exclude it entirely?

WILSON: Yes I think so.

215 REP. REPINE: Opening the window again at a later date might cause similar problems?

WILSON: That is correct. We were advised by our actuary's legal arm that it is not a good idea to embark on an early retirement window if you expect to do it again in a couple of years.

233 REP. JOHNSON: How could we lay off the same people without the golden hand shake?

WILSON: I cannot answer that.

244 REP. MANNIX: Refers to the letter from Elizabeth Stockdale, Assistant Attorney General (Exhibit E), I thank you for sharing this with us. It is going to make our job a little easier. This allows us to have some more flexibility and to make some distinctions among agencies.

WILSON: The letter sets forth our options quite clearly.

REP. MANNIX: The point of this is that we should not be doing what we darn well please. We should have a rational plan. This allows us to play out a plan and implement.

298 MARY BODTKIN, American Federation of State, County and Municipal Employees: We are concerned about the reasoning behind eliminating the access to this program for the police officer and the fire fighter categories.

CHAIR DERFLER: The object of the bill is to eliminate people and not to replace them.

BODTKIN: The state and local government would benefit cost-wise if long term career employees were given the option to move out of the system; these people are at the top of their pay scale and receive the most in benefits. The break-even period would take a longer time, but there is some justification to take a look at that.

352 REP. MANNIX: There is a rapid growth in the corrections staffing needs.

BODTKIN: You would get a more skilled and more highly trained work force. We should keep the options open to those people as well as the general service.

-She expresses concern that the door will be closed so tightly that we can lose our base of expertise.

396 REP. MANNIX: Why don't we have a volunteer core of retired public employees with some benefits but no pay. Describes his proposition further. We could keep some people with expertise in the system to help us through this transition.

BODTKIN: We are willing to look at that without any commitments.

TAPE 92, SIDE B

004 REP. MANNIX: There should not be a total ban to let those people come back. Maybe volunteerism is not the right term.

013 REP. EDMUNSON: How about partial retirement after 5 or 10 years of service?

022 BODTKIN: The agency by agency plan is not a bad idea providing that the employee representatives are present to make sure that the employee rights are protected.

033 REP. REPINE: This needs to be carefully laid out so that the employers and employees clearly know what is going to happen--what are the upsides and downsides.

BODTKIN: Discusses the issue of health benefits. The fear of losing health benefits keep people in the system even when they would normally retire.

-We should look at that as a part of the package.

-Discusses the requirements to maintain federal funding. Gives an example of the Fairview Training Center. We need to be cautious and careful so that accidentally we don't lose some of the federal funds.

-I don't think that the voters said that they wanted a smaller government. They want more services but they want to fund it differently.

111 REP. MANNIX: Maybe they want more for less.

135 CHAIR DERFLER: We are not going to move this along at this meeting. We need to work more on this bill. It is still a long ways from happening.

BODTKIN: We are happy to work with you.

PUBLIC HEARING, HB 2905 (Exhibit F)

Witnesses: Alice Dale, Oregon Public Employees Union

CHAIR DERFLER: Opens public hearing on HB 2905.

149 ALICE DALE, Oregon Public Employees Union: Testifies in opposition

to HB 2905 (Exhibit F).

-A tremendous number of unmet needs already exist in state government.

-To arbitrarily limit the number of state employees without looking at the various problems is a mistake.

198 CHAIR DERFLER: Are you saying that there is no way to reduce people in state programs?

DALE: There might well be a need to reduce people. Our objection is to arbitrarily limit the ability to add employees back in as needed and as finances permit.

CHAIR DERFLER: We would prefer to eliminate more management positions, that is the goal of the bill.

DALE: We object to statutorily limiting the number of positions without looking at the needs of the particular programs. For example, the staffing levels at the Children's Services Division are not what they were at 1982.

PUBLIC HEARING, HB 3122 (Exhibit G)

Witnesses:Gerard Liebertz Richard Wenger Delores Hanson

CHAIR DERFLER: Opens public hearing on HB 3122.

247 VICTORIA DOZLER: Describes the bill.

280 GERARD LIEBERTZ, Retired PERS Member: Testifies in support of HB 3122.

-Describes the purchase options (Exhibit G).

-At the present time there is adequate information available, but for those with service in the past your help is needed. This bill is a means of rectifying an injustice done to career public employees many years ago.

325 RICHARD WENGER: Testifies in support of the bill but with amendments.

-Describes his own experience with the system.

-One should have the option to buy back the lost years.

384 DELORES HANSON, Computer Systems Analyst, Board of Higher Education: Testifies in support of the bill. I would like to buy the time back since I have put in the years.

-Some of the wording could be changed as it relates to buy back.

TAPE 93, SIDE B

010 Rep. Mannix and Ms. Hanson discuss the different buy back options.

020 REP. MANNIX: Would a six months window, similar to HB 2906, be OK with PERS?

017 SHERYL WILSON, Director, PERS: Yes.

REP. MANNIX: How about modifying the formula. For example, ten years after reentry one can get one full month for every month of prior service?

WILSON: It would be an increased cost.

REP. MANNIX: Could you work up an actuarial study of this proposal?

WILSON: Certainly.

041 CHAIR DERFLER: Would it be fair to ask them to pay the interest on the money?

WILSON: The current statute requires them to pay interest on the employee portion.

056 REP. MANNIX: Would the employer contribution already had been withdrawn?

WILSON: No, that is still in the fund.

REP. MANNIX: So there is no direct fiscal impact on local governments?

WILSON: There would be an overall impact if the benefits were increased.

-The committee and Ms. Wilson discuss further the mechanics of the buy back options.

082 REP. JOHNSON: Is this a good policy to allow them to take the employee portion?

WILSON: It is a very common policy in public retirement systems.

102 REP. MANNIX: At some point I want to get the message out that the door is closed.

WILSON: Shares an example from another state addressing Rep. Mannix's concerns. Communications are getting better. We are now counseling people of the option of leaving the money in the fund if they are vested.

REP. MANNIX: Suggests an amendment--"this is your last chance."

123 CHAIR DERFLER: Adjourns the meeting at 10:00 a.m.

Submitted by: Reviewed by:

Johanna Klarin Victoria Dozler Assistant Administrator

EXHIBIT LOG:

A - Testimony on HB 2906 - Alice Dale - 1 page.
B - Testimony on HB 2906 - Jim Dyer - 2 pages. C - Testimony
on HB 2906 - Sheryl Wilson - 3 pages. D - Testimony on HB 2906 -
Sheryl Wilson - 2 pages. E - Testimony on HB 2906 - Sheryl wilson
- 5 pages. F - Testimony on HB 2905 - Alice Dale - 1 page.
G - Testimony on HB 3122 - Gerard Liebertz - 1 page.