

Tapes 10-11(A/B)
Work Session: HB
235 2,
HB 2528, HB 2750

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON INCOME TAXATION

March 12, 1991 8:00 am Hearing Room A State Capitol Building
. . .

Members Present: Representative John Schoon, Chair
Representative Mike Burton
Representative Bev Clarno
Representative Delna Jones

Members Excused: Representative Mike Nelson

Witnesses: Mark O. Johnson, Consulting Actuary, Milliman &
Robertson on contract with Public Employees
Retirement System (PERS)
Elizabeth Stockdale, Department of Justice
John Lobdell, Oregon City
Ed Hughes, Oregon Council of Federally Related
Organizations (OCOFRO)

Joe Gray, President of Retired Portland Fire
Fighters

Staff: Dick Yates, Legislative Revenue Office
Marlene Stickley, Committee Assistant

TAPE 10. SIDE A

005 CHAIR SCHOON called the meeting to order at 8:12 and conducted
administrative business.

011 MARK JOHNSON overviewed financing in the Oregon PERS Funding Report.
Exhibit 1, page 1

040 MARK JOHNSON explained a fundamental principle in financing retirement
liabilities, clarifying that it is best to have benefits funded while the
employee is working. Exhibit 1, page 2

057 MARK JOHNSON discussed five assumptions regarding appropriate employer
contribution. Exhibit 1, page 2

067 Questions and discussion regarding present value of future benefits .
Exhibit 1, page 2

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speakers exact words.
For complete context of proceedings, please refer to the tape recording.
House Committee on Revenue ~ School Finance Subcommittee on Income Taxation
March 12, 1991 Page 2

100 MARK JOHNSON summarized employer contributions. Exhibit 1, page 3

119 MARK JOHNSON reviewed the actuarial cost method illustration. Exhibit
1, pages 4 & 5

143 MARK JOHNSON referred to the projected benefit chart and explained
present value of accrued benefit (PVAB) and present value of future benefit
(PVFB). Exhibit 1, page 7

185 MARK JOHNSON explained annual contribution and actuarial liability.
Exhibit 1, page 9

191 Questions and discussion regarding contribution rates.

239 MARK JOHNSON provided an example of retirement contributions.

270 MARK JOHNSON continued his explanation of actuarial liability. Exhibit
1, page 10

294 MARK JOHNSON explained the termination overfunding example. Exhibit 1,
page 11

311 MARK JOHNSON defined unfunded actuarial liability. Exhibit 1, page 12
362 Questions and discussion regarding funding for improved benefits and
past service.

377 MARK JOHNSON provided an example of unfunded liability.

TAPE 11 SIDE A

001 MARK JOHNSON continued with his example of unfunded liability.

010 Questions and discussion regarding unfunded liability.

020 MARK JOHNSON addressed the funding status and clarified assets need to
be greater than benefits earned. Exhibit 1, page 13

045 Questions and discussion regarding distribution of benefits.

092 MARK JOHNSON discussed differences in assets related to actuarial
liability. Exhibit 1, page 14

127 MARK JOHNSON referred to the actuarial liability trends graph noting
liabilities and assets continue to increase. Exhibit 1, page 15

143 MARK JOHNSON presented history of employer contribution rates,
developed from actuarial evaluations. Exhibit 1, page 16

176 MARK JOHNSON provided an example of setting the rate in the future
equivalent to the evaluation date.

-

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speakers exact words.
For complete context of proceedings, please refer to the tape recording.
House Committee on Revenue & School Finance Subcommittee on Income Taxation
March 12, 1991 Page 3

200 MARK JOHNSON continued his presentation on history of employer
contribution rates and discussed cost rate fluctuations. Exhibit 1, page 16

250 Questions and discussion regarding funding rates and evaluation date.

285 MARK JOHNSON expounded on Ad Hoc increases.

313 Questions and discussion regarding the pace of benefit increases.

TAPE 10. SIDE B

001 Questions and discussion continued regarding the pace of benefit
increases.

027 MARK JOHNSON explained that stable employer contribution rates are the
actuarial objective of the retirement board.

043 Questions and discussion interspersed regarding unfunded liabilities
and actuarial liability.

079 Questions and discussion regarding a 30 year payment.

095 MARK JOHNSON clarified that 30 years is the benchmark for a private
company to pay off their unfunded liability.

115 MARK JOHNSON discussed a flat (one-time) increase in benefits as in HB
252 9. Exhibit 2

153 Questions and discussion regarding flat increase.

161 MARK JOHNSON continued his discussion of flat increase and provided an
example. Exhibit 2

186 REP. BURTON questioned if increases for retirees and other members are
addressed in HB 2529.

200 DICK YATES clarified HB 2529 grants increases to all retirees;
explained normal PERS calculation for benefits and roll up cost.

210 REP. BURTON recessed the meeting at 9:24 and Chair Schoon reconvened at
9:51.

216 ELIZABETH STOCKDALE updated the committee in regards to pending
litigation.

273 Questions and discussion regarding litigation.

310 DICK YATES questioned legislated retroactive changes that might involve
refunds or an increase of taxes.

,

-

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speakers exact words.

For complete context of proceedings, please refer to the tape recording.
House Committee on Revenue & School Finance Subcommittee on Income Taxation
March 12, 1991 Page 4

322 ELIZABETH STOCKDALE responded legislation can deal with past tax periods as long as it does not act arbitrarily.

326 CHAIR SCHOON questioned if retiree groups were expanded to include federal retirees be considered unequal treatment.

332 ELIZABETH STOCKDALE explained the latitude legislature has for classifying, in regards to taxation.

358 Questions and discussion regarding treatment of federal v. state retirees .

385 ELIZABETH STOCKDALE expounded on legal theories involving court decisions.

TAPE 11. SIDE

B

001 ELIZABETH STOCKDALE continued her explanation of legal theories involving court decisions.

013 Questions and discussion regarding court decisions.

019 ELIZABETH STOCKDALE noted other state cases regarding refund liability will help all states in the applicability of the Davis case.

034 Questions and discussion regarding treatment of federal v. local.

073 Questions and discussion regarding PERS and non-PERS.

096 ELIZABETH STOCKDALE reviewed a case regarding tax exemption.

105 Questions and discussion regarding taxation negotiations.

142 JOHN LOBDELL discussed legislation regarding non-PERS retirees.

168 ED HUGHES noted amendments to HB 2750. Exhibit 3

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.
House Committee on Revenue ~ School Finance Subcommittee on Income Taxation
March 12, 1991 Page 5

179 JOE GRAY testified in support of HB 2352 and HB 2750.

251 CHAIR SCHOON adjourned the meeting at 10:23.

Marlene Stickl Committe Assistant

, Kimberly Taylor, Office Manager

EXHIBIT SUMMARY

1. Oregon PERS Funding Report, Mark Johnson, 3/12/91 - HB 2352
2. Flat Increase Chart, Mark Johnson, 3/12/91 - HB 2529

3. Amendments, Ed Hughes, 3/11/91 - HB 2750
4. Ragsdale Decision, Beulah Hand, 3/12/91 - HB 2352

-

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording.