OSEA BOARD OF DIRECTORS VOTES TO SUPPORT SB199

The Legislature has before it two bills designed to broaden and liberalize PERS investment policies, thereby eventually increasing retirement benefits for public employees. The bills are SB 199, introduced at the request of the PERS Board, and HB 1347, introduced at the request of the Legislative Fiscal committee. SB 199 passed the Senate on February 22 and is in the House Fiscal Affairs committee; HB 1347 passed the House on April 6 and is in the Senate State and Federal Affairs committee. A bill similar to HB 1347 passed the House in the 1963 session, but died in the Senate.

At their meeting in Salem on March 27, the OSEA Board of Directors spent almost four hours hearing arguments and discussing the two bills. By a divided vote, they endorsed SB 199. Testimony to this effect was given to the Joint Ways and Means committee by OSEA Executive Secretary Thomas C. Enright at a hearing on HB 1347 on March 31.

According to Enright, both bills have many good points. Both would allow the investment of PERS funds in common stocks, thereby increasing in investment yield. Controversy over the two bills centers upon who should do the investing.

BILLS DEFINED

SB 199 would continue investment authority in the PERS Board, by delegation to an investment officer employed by the Board. HB 1347 would set up an investment council to invest funds of PERS and the State Industrial Accident Commission. The council would be made up of two members apointed by PERS, one by SIAC, one by the State Treasurer and one by the Governor. The council would appoint an investment officer (the proponents of the bill say an expert of the type envisioned would receive a salary of at least $22,000 per year), with offices and staff.

The arguments made by the OSEA Retirement Committee which apparently persuaded the Board of Directors to favor SB 199 were as follows:

(1) That the PERS Board has responsibility for PERS investments, therefore the authority to invest should not be in other hands.

(2) That although two-thirds of the funds to be invested would be PERS funds, PERS would only have two-fifths representation on the investment council.

(3) That there is a difference in investment objectives regarding SIAC and PERS funds.

(4) That the cost of the investment officer and staff, offices, etc., would be excessive and would exceed the $40,000 year limit in HB 1347.

(5) That the PERS Board, under liberalized investment authority granted by the legislature in 1959, has increased its rate of net yield on investments from 2.6% in 1960 to 3.85% at present, an improvement of nearly 50% in a 5-year period, and can be expected to make greater improvement under the provisions of SB 199.

(6) That up-to-the-minute, competent investment knowledge regarding common stocks can be secured under contract with professional investment services, at $5,000 to $6,000 per year, instead of the high costs of HB 1347.

(7) That the 25% to 50% increase in benefits described by HB 1347 proponents would not take place in the near future, but would require 20 to 30 years of investment.

(8) That hasty investment in common stocks would cause a decrease in income for some time and thereby reduce or do away with extra "dividend" checks PERS is now able to pay retirees. (On April 8, PERS Board voted to issue one and one-half extra checks as dividends to retirees this year.)

(9) That there is still a constitutional question in Oregon as to whether PERS funds can be invested in common stocks, even if approved by the legislature, and creation of a costly investment office to handle this type of investment would be a waste if it is found by the courts that the constitution prohibits such investment.

PERS STUDY OK'D FOR '67

The Salary and Wages subcommitte of the Ways and Means committee, meeting on April 14 to consider resolutions creating interim committees, stated a policy decision to have the Legislative Fiscal committee study the Public Employees Retirement System before the 1967 session of the legislature. The decision will set aside SJR 17 and HJR 41, both providing for interim committees on retirement.

Senator Edward Fadeley (D-Eugene), sponsor of SJR 17; Edward L. Wilson, OSEA Assistant Executive Secretary, and Pat Maney, Oregon Education Association Legislative Representative, stated agreement with the committee decision and hailed the PERS study as something badly needed in the interest of employees.

The 1963 session of the legislature, in HJR 34, directed the PERS Board to make a study of the retirement system and submit to the 1967 session a report and recommendations. The Ways and Means committee recently deleted funds for the study from the PERS budget, with the result that the only study undertaken will be the one by the Legislative Fiscal committee.

In view of the fact that the same staff serves the Legislative Fiscal committee and the Ways and Means committee, it is expected that recommendations resulting from the study will be given substantial weight by the Ways and Means committee in the 1967 session.

New Chapter Authorized

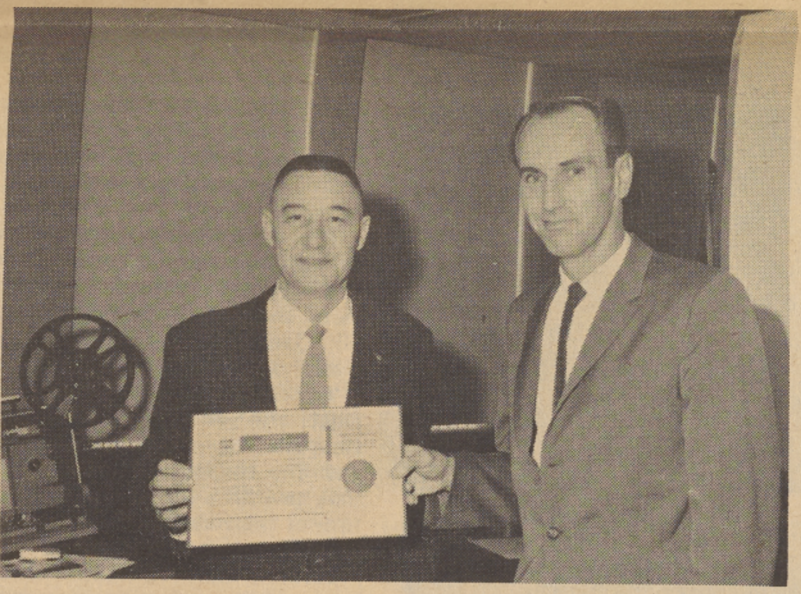
(Continued from Page 1)

chapter.

OSEA President R. M. "Hoad" Smith, after signing the charter, said "I wish to express my personal appreciation to both Barbara Stearns and Chet Reed for the tremendous part they played in the formation of this new chapter. We are proud to have such dedicated members in the association."

CIVIL SERVICE DIRECTOR MELVIN H. CLEVELAND addressed the OSEA Board of Directors meeting on March 27. Cleveland expressed his appreciation to the association for the cooperation it has extended his office. OSEA Civil Service Director James Fisher is on the right.

OSEA MEMBERSHIP COMMITTEE met at headquarters the night before the March 27 Board of Directors meeting. From left, Eleanor Shyrock, Helen Towne, Dick Guttridge, Chet Reed, Del Bolton (partially hidden), George Dow and Clint Lammers.



FIELD REPRESENTATIVE C.D. JOHANSEN (right) presents John Gordon with a 100% membership certificate for the Tax Collection section of the Department of Employment in Salem.

Pers Bills Given Nod

Three retirement bills have been voted out of the Senate Financial Affairs committee with "do-pass" recommendations. The bills have been sent to the Joint Ways and Means committee because of their financial implications.

SB 222, introduced at the request of the PERS Board, would allow state employees to build up their retirement benefits by permitting a lump sum contribution to the PERS fund. The amount would be based on the difference between the contributions that the employees were able to make during the years of 1946-1956 and the amount they are able to make under the present law.

SB 341, introduced by Senator Edward Fadeley (D-Lane), states "any employee who is a member of the PERS who has become or becomes disabled before retiring but who has attained an age which would have permitted retirement may, at the option of such employee, elect to receive either the disability retirement allowance provided in ORS 237.171 or the retirement allowance to which that employee would have been entitled had he retired before becoming disabled. Employees previously disabled within the past two years may make such election within 90 days from the effective date of this act."

HB 1247, sponsored by the State Board of Higher Education, would allow the board to assist its employees to supplement their PERS retiremet benefits through contracts with private insurance or annuity companies by matching contribution at PERS rates on academic salaries in excess of $4,800.

EMPLOYEES FORM 'ACE'

Independent public employee organizations in California have recently united into one confederated organization known as the "Associated California Employees."

There are eleven organizations represented at this time with others planning to join. The group represents 350,000 public employees in the state and has become a tremendous force in the cause of these employees and their mutual problems.

The organization, known as the ACE, is presently engaged in extensive lobbying activities in the California Legislature.