



TESTIMONY BEFORE THE SENATE INTERIM COMMITTEE ON EDUCATION AND GENERAL GOVERNMENT AND HOUSE INTERIM COMMITTEE ON EDUCATION

Senator Vicki Walker, Co-Chair
Representative Peter Buckley, Co-Chair

Co-Chair Walker and Buckley, my name is Steve McNannay and I am the Chair of the Oregon Educators Benefit Board (OEBB). Joining me today is Denise Hall who is the deputy administrator for the OEBB Board and benefits program. First I want to thank you for allowing us some of your time on what I know has been a very busy day for the committee.

The OEBB is requesting committee approval to submit technical adjustments to section 16 of SB 426 for consideration by the 2008 Special Session of the Oregon Legislative Assembly.

Background

SB 426 created the Oregon Educators Benefit Board (OEBB). The Act became effective upon the Governor's signing on March 21, 2007. The OEBB is charged with designing, implementing and administering a benefits program for employees in Oregon's school, education service and community college districts. The benefits program must be in place on October 1, 2008. District and employee participation in the new benefits program will be phased-in between October 1, 2008, and October 1, 2010. The legislation allows for voluntary participation, but mandates participation following certain events. The OEBB has been working closely with its Department of Justice legal counsel to interpret the language under SB 426.

Overview of Technical Adjustments Needed

The first technical adjustment we are requesting is related to phase-in of employees covered by collective bargaining agreements:

One of the events used to identify the date of participation in the OEBB benefit program is the expiration of a collective bargaining agreement. The vast majority of collective bargaining agreements covering district employees expire on June 30 of a given year.

Due to drafting issues in SB 426 (i.e., using July 1 rather than June 30 as the contract expiration date), no collective bargaining groups would be mandated to participate in OEBB until October 1, 2009 (rather than 2008).

The intent of the language in this legislation was to have about one-third of the district employees phase-in to the pool in each of the implementation years—2008, 2009 and 2010.

The implications of this wording—without the technical housekeeping changes—would be significant for the operation of OEGB. It would impact the Board’s ability to attract insurance carriers willing to provide benefits for a pool of undetermined size or make-up. Further, the premium rates proposed by those carriers willing to submit a bid for this business could be significantly higher due to the increased probability of adverse risk associated with an undefined member base.

The second technical adjustment we are requesting is related to non-represented employees:

There are employees in school districts who are not covered under a collective bargaining agreement. The current language requires that all non-represented employees would have to participate in OEGB on October 1, 2008, even if no other groups in a given district were otherwise participating in OEGB.

Requiring all non-represented employees of a district to participate in OEGB as of October 1, 2008, regardless of whether participation of employees in the district is otherwise mandated as of that date, would increase administrative complexities for the school districts.

The Board is committed to minimizing the administrative impact on school and education service districts and community colleges associated with implementation of the new OEGB benefits program. Allowing the non-represented employee groups to be treated consistently with the first represented employee group should eliminate the possibility of a district having to work through the phase-in process in each of the three consecutive implementation years. It should also reduce the number of different benefit-related administrative processes a district will need to deal with at any given time.

Again thank you for your time and I would be happy to answer questions.