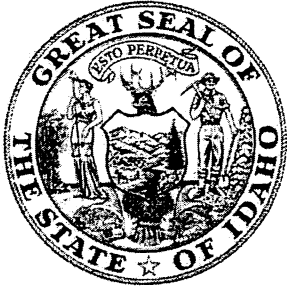


Idaho Division of Human Resources

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Executive Office of the Governor

C.L. "Butch" Otter
Governor

Judie Wright
Acting Administrator


Idaho Personnel Commission

Mike Brassey, Chair
Pete Black
John Cowden
Clarisse Maxwell
Evan Frasure

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MEMORANDUM

TO: Change in Employee Compensation Committee

FROM:  Judie Wright, Acting Administrator
Division of Human Resources

DATE: January 4, 2008

SUBJECT: Information for CEC Committee Meeting

For your review and information, we are providing the following documents:

- DHR Organization Chart (October 2006)
- DHR Organization Chart (Current)
- DHR Response (dated November 16, 2007) to LSO Concerns on DHR Proposed Rules

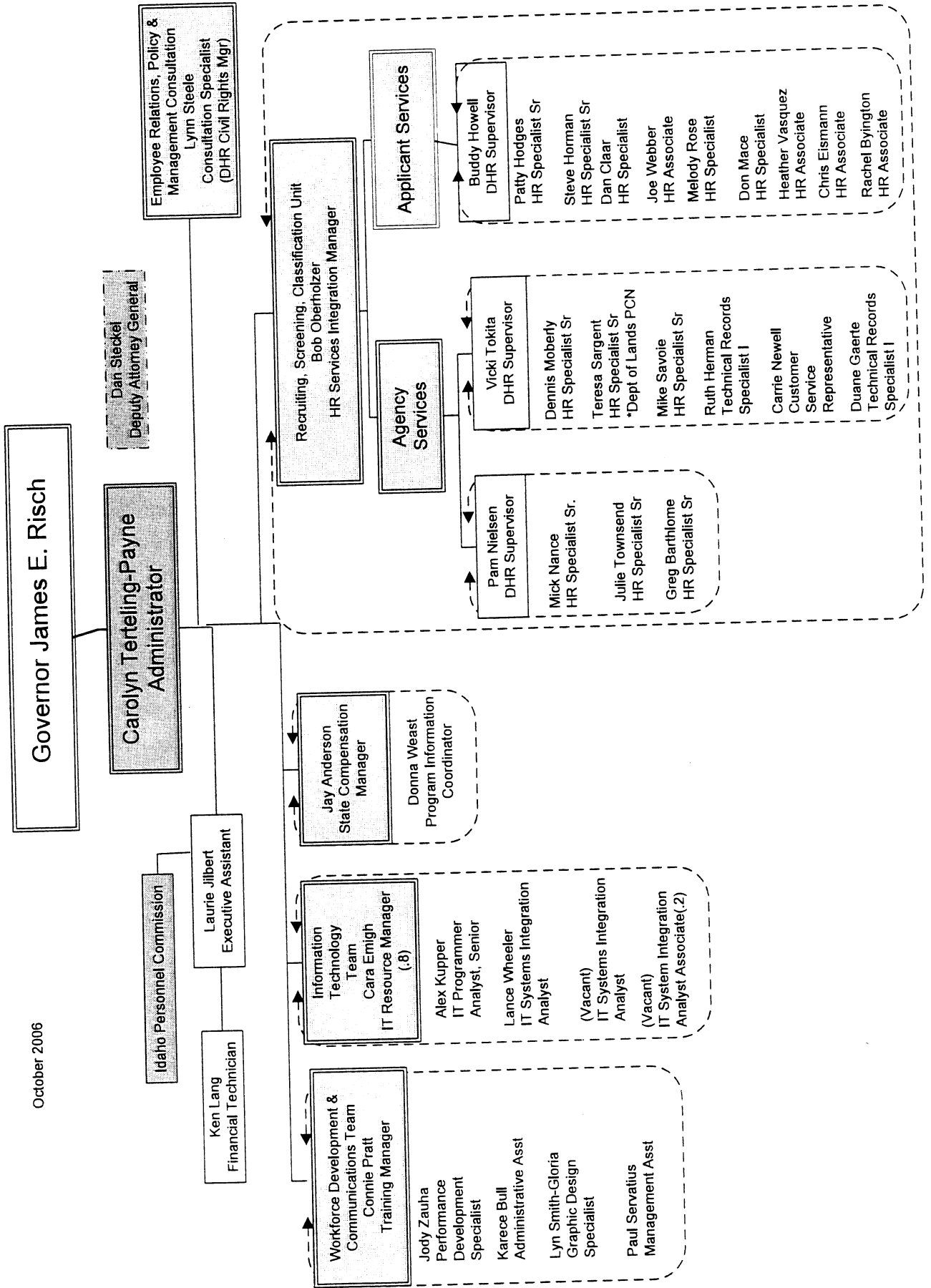
If we can be of further assistance, please feel free to contact us.

Attachments (3)

Cc: Amy Castro, LSO

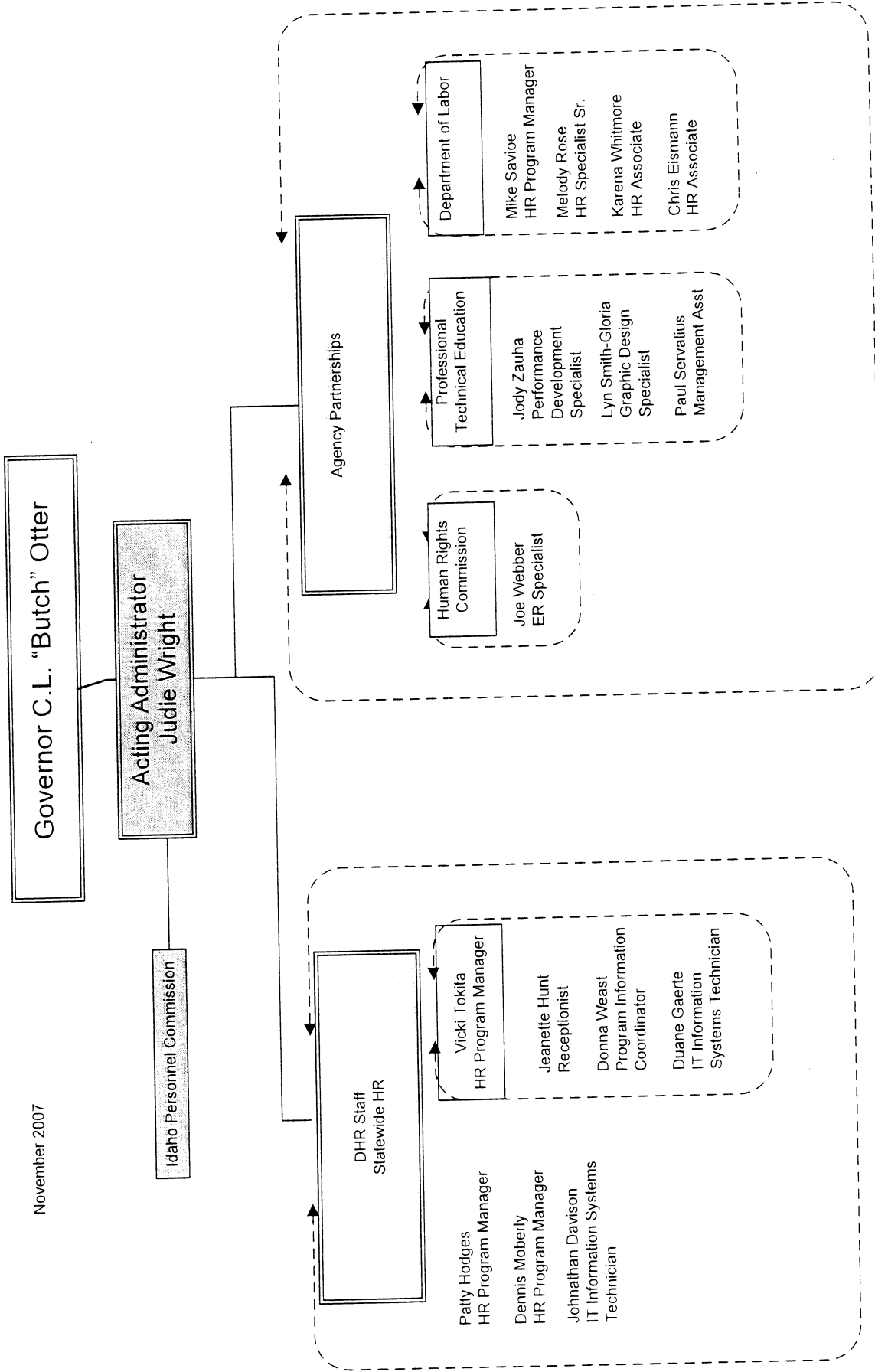
Division of Human Resources

October 2006



Division of Human Resources

November 2007



Idaho Division of Human Resources

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MEMORANDUM

TO: Rules Review Subcommittee of the Senate Commerce and the Human Resources Committee and the House Commerce and Human Resources Committee

FROM: Judie Wright, Acting Administrator
Division of Human Resources

DATE: November 16, 2007

SUBJECT: Response to LSO concerns Proposed DHR Rules

Thank you for your comments on your initial review of IDAPA 15.04.01--Rules of the Division of Human Resources and the Idaho Personnel Commission (Docket No. 15-0401-0702). While we appreciate and respect your perspective, there may be some misunderstanding about the intent of the proposed rule.

As an overall comment, federal law and Idaho Code take precedence with or without a corresponding DHR rule. Therefore there is no need to restate the governing language of federal law or Idaho Code.

The proposed rule is not a "broad revision of the rules"; rather we deleted the rules that were repetitive of federal law and Idaho Code. We were careful to retain specific rules indicated in Idaho Code 67-5309 which directs DHR to adopt such rules as may be necessary for proper administration of this chapter.

As suggested in your letter, we offer the following explanations for proposing this rule revision. For the readers' convenience, DHR comments are noted in **blue**. In addition, your comments are followed by an Explanation and additional clarifying information.

- Section 67-5309C(1), Idaho Code, specifically states that the administrator of the division of human resources shall conduct or approve annual salary and benefit surveys within relevant labor markets to determine salary ranges and benefit packages that represent competitive labor market averages. The current rule mirrored this language (See, stricken language in proposed rule, page 337). However, the proposed rule deletes this provision. The proposed rule includes no directive regarding salary and benefit surveys, nor does it specifically prohibit conducting or approving surveys. Also, it should be noted that the Governor's Executive Order No. 2007-04 (attached) directs the Division to enter into an agreement with the Department of Labor to conduct such surveys. The Executive Order notwithstanding, it might be asked why this provision, which is consistent with statute, is being deleted from administrative rule which has the full force and effect of law.

- Explanation: As previously noted, this language is in Section-67-5309C(1), Idaho Code, therefore a DHR rule would be redundant.
- Following is the relevant language of Section 67-5309C:

67-5309C. ANNUAL SURVEYS, REPORTS AND RECOMMENDATIONS.

(1) The administrator of the division of human resources shall conduct or approve annual salary and benefit surveys within relevant labor markets to determine salary ranges and benefit packages that represent competitive labor market average rates and benefits provided by private industry and other governmental units.

- A number of provisions prohibiting discrimination in employment actions have been deleted. For example, on page 344 of the proposed rule, a provision has been deleted that prohibits employment examinations from including any question designed to reveal prohibited information including the political or religious affiliation or belief, national origin or race of any candidate. In addition, on page 357 of the proposed rule, a provision has been deleted that directs the Division of Human Resources to promptly investigate any complaint from a federal agency alleging violation of employment laws (e.g., discrimination complaints). A reasonable question to ask would be why have these changes been made? What is the Division seeking to accomplish?
 - Explanation: This rule is duplicative of federal laws and Idaho Code. In response to your question "What is the Division seeking to accomplish?" This proposed revision removes the redundancy that is covered in federal laws and Idaho Code.

- Many federal laws such as Title VII of the Civil Rights Act of 1964 and Idaho Code 67-5909(1), (2), (4) prohibit discrimination in employment actions.

Following is the relevant language of Title 67 Chapter 59 Commission on Human Rights:

67-5909 ACTS PROHIBITED. It shall be a prohibited act to discriminate against a person because of, or on a basis of, race, color, religion, sex or national origin, in any of the following subsections. It shall be a prohibited act to discriminate against a person because of, or on the basis of, age in subsections (1), (2), (3) and (4) of this section. It shall be a prohibited act to discriminate against a person because of, or on the basis of, disability in subsections (1), (2), (3) and (4) of this section, provided that the prohibition against discrimination because of disability shall not apply if the particular disability, even with a reasonable accommodation, prevents the performance of the work required in that job, and in subsections (6), (8), (9), (10) and (11) of this section. The prohibition to discriminate shall also apply to those individuals without disabilities who are associated with a person with a disability.

- (1) For an employer to fail or refuse to hire, to discharge, or to otherwise discriminate against an individual with respect to compensation or the terms, conditions or privileges of employment or to reduce the wage of any employee in order to comply with this chapter;
- (2) For an employment agency to fail or refuse to refer for employment, or otherwise to discriminate against an individual or to classify or refer an individual for employment;
- (4) For an employer labor organization or employment agency to print or publish or cause to be printed or published a notice or advertisement relating to employment by the employer or membership in or a classification or referral for employment by the labor organization, or relating to a classification or referral for employment by an employment agency, indicating a preference, limitation, specification or discrimination; but a notice or advertisement may indicate a preference limitation, specification, or discrimination when such is a bona fide occupational qualification for employment;

There are many other changes in the proposed rule that may impact state employees. These changes include, but are not necessarily limited, to the following:

- Page 358 of the proposed rule: deletes the provision that an employee may, at all reasonable times during business hours, review his service record. This includes all material except for material used to screen and test for employment.
 - Explanation: This rule is duplicative of Idaho Code. This proposed revision removes the redundancy that is covered in Idaho Code.
 - For example, Section 9-338, Idaho Code details information and processes that go beyond the intent of the current rule. The current Rule 220.01.c. states: Any employee may at all reasonable times during business hours review his or her service record maintained in the Division of Human Resources or maintained in any department. Except for material used to screen and test for employment, all information maintained in an employee's service record shall be made available to the employee or designated representative upon request. File contents may be corrected if found in error according to the procedure contained in Section 9-342, Idaho Code.
 - The proposed rule reflects what is currently covered in Section 9-338, Idaho Code Right to Examine and Section 9-340C(1), Idaho Code Records Exempt from Disclosure – Personnel Records, Personal Information, Health Records, Professional Discipline.
 - Following is the relevant language of Section 9-338, Idaho Code :

PUBLIC RECORDS -- RIGHT TO EXAMINE.

- (1) Every person has a right to examine and take a copy of any public record of this state and there is a presumption that all public records in Idaho are open at all reasonable times for inspection except as otherwise expressly provided by statute.
- (2) The right to copy public records shall include the right to make photographs or photographic or other copies while the records are in the possession of the custodian of the records using equipment provided by the public agency or independent public body corporate and politic or using equipment designated by the custodian.
- (3) Additionally, the custodian of any public record shall give the person, on demand, a certified copy of it if the record is of a nature permitting such copying or shall furnish reasonable opportunity to inspect or copy such record.
- (4) The custodian shall make no inquiry of any person who applies for a public record, except to verify the identity of a person requesting a record in accordance with section 9-342, Idaho Code, to ensure that the requested record or information will not be used for purposes of a mailing or telephone list prohibited by section 9-348, Idaho Code, or as otherwise provided by law, and except as required for purposes of

protecting personal information from disclosure under chapter 2, title 49, Idaho Code, and federal law. The person may be required to make a written request and provide their name, a mailing address and telephone number.

(5) The custodian shall not review, examine or scrutinize any copy, photograph or memoranda in the possession of any such person and shall extend to the person all reasonable comfort and facility for the full exercise of the right granted under this act.

(6) Nothing herein contained shall prevent the custodian from maintaining such vigilance as is required to prevent alteration of any public record while it is being examined.

(7) Examination of public records under the authority of this section must be conducted during regular office or working hours unless the custodian shall authorize examination of records in other than regular office or working hours. In this event, the persons designated to represent the custodian during such examination shall be entitled to reasonable compensation to be paid to them by the public agency or independent public body corporate and politic having custody of such records, out of funds provided in advance by the person examining such records, at other than regular office or working hours.

- Following is the relevant language of Section 9-340C(1), Idaho Code Records Exempt from Disclosure – Personnel Records, Personal Information, Health Records, Professional Discipline reads:

The following records are exempt from disclosure:

(1) Except as provided in this subsection, all personnel records of a current or former public official other than the public official's public service or employment history, classification, pay grade and step, longevity, gross salary and salary history, status, workplace and employing agency. All other personnel information relating to a public employee or applicant including, but not limited to, information regarding sex, race, marital status, birth date, home address and telephone number, applications, testing and scoring materials, grievances, correspondence and performance evaluations, shall not be disclosed to the public without the employee's or applicant's written consent. Names of applicants to classified or merit system positions shall not be disclosed to the public without the applicant's written consent. Disclosure of names as part of a background check is permitted. Names of the five (5) final applicants to all other positions shall be available to the public. If such group is less than five (5) finalists, then the entire list of applicants shall be available to the public. A public official or authorized representative may inspect and copy his personnel records, except for material used to screen and test for employment.

- Page 358 of the proposed rule: deletes the provision requiring the appointing authority to provide notice to each employee of every personnel action affecting the employee's status, pay, tenure or other terms and conditions of employment, including a copy of their performance evaluation.
 - Explanation: The proposed rule deletes this provision since management, supervisory, and human resource best practices direct the notification of employees concerning personnel actions. However, proposed rule 210.05 requires that a copy of the performance evaluation be retained in departmental records and furnished to the employee.

- Page 358 of the proposed rule: deletes the provision specifically stating that all classified employees...shall earn vacation leave and be eligible to take and be paid for unused vacation leave.
 - Explanation: The current rule 230.01 reads: Eligibility. All classified employees regardless of status or whether full-time or part-time shall earn vacation leave and be eligible to take and be paid for unused vacation leave in accordance with Sections 67-5334, 67-5335, and 67-5337, Idaho Code.
 - This rule is duplicative of Section 67-5334, Idaho Code. In addition, the current rule incorrectly references Sections of Idaho Code that no longer exist (Section 67-5335), or no longer refer to vacation time (Section 67-5337 is now Moving Expense Reimbursement).
 - In its entirety Section 67-5334, Idaho Code reads:

VACATION TIME.

(1) Vacation time shall be computed as follows:

(a) Vacation time shall not accrue to any officer or employee on any kind of leave of absence without pay, suspension without pay or layoff. Vacation leave shall accrue while an officer or employee is on approved leave with pay, on approved vacation leave, on approved military leave with pay, and on approved sick leave, but not when compensatory time or earned administrative leave is taken.

(b) The rate per hour at which vacation leave shall accrue to eligible classified officers and employees earning credited state service who are covered and nonexempt under the federal fair labor standards act shall be at the rate represented by the proportion 96/2080 during the first ten thousand four hundred (10,400) hours of credited state service; at the rate represented by the proportion 120/2080

during the second ten thousand four hundred (10,400) hours of credited state service; at the rate represented by the proportion 144/2080 during the third ten thousand four hundred (10,400) hours of credited state service; and at the rate represented by the proportion 168/2080 thereafter.

(c) Classified officers and employees earning credited state service and defined as an exempt "professional," "administrative," or "computer worker" under the federal fair labor standards act shall be at the rate represented by the proportion 120/2080 during the first ten thousand four hundred (10,400) hours of credited state service; at the rate represented by the proportion 144/2080 during the second ten thousand four hundred (10,400) hours of credited state service; and at the rate represented by the proportion 168/2080 thereafter.

(d) Classified officers and employees earning credited state service and defined as an exempt "executive" under section 67-5302, Idaho Code, shall be at the rate represented by the proportion 200/2080.

(2) Eligibility and use of vacation time shall be determined as follows:

(a) An appointing authority shall permit each officer or employee to take vacation leave to the extent such leave has accrued.

(b) Vacation leave may be accrued and accumulated only as follows, unless amounts in excess of the permitted accumulations have been expressly authorized in writing by the board of examiners during unusual or emergency situations:

During the first ten thousand four hundred (10,400) hours of credited state service, vacation leave may be accrued and accumulated to a maximum of one hundred ninety-two (192) hours; employees classified as "executive" under section 67-5302, Idaho Code, may accrue and accumulate vacation leave to a maximum of two hundred (200) hours during this period;

During the second ten thousand four hundred (10,400) hours of credited state service, vacation leave may be accrued and accumulated to a maximum of two hundred forty (240) hours;

During the third ten thousand four hundred (10,400) hours of credited state service, vacation leave may be accrued and accumulated to a maximum of two hundred eighty-eight (288) hours;

After thirty-one thousand two hundred (31,200) hours of credited state service, vacation leave may be accrued and

accumulated to a maximum of three hundred thirty-six (336) hours.

(c) Vacation leave shall be transferable from department to department only to the extent that it is accrued and accumulated.

(d) Vacation leave shall not be earned, accrued or accumulated during any pay period in which the maximum accruals and accumulations provided by this section have been met.

(e) Vacation leave not taken shall be compensated for at the time of separation only to the maximum accruals and accumulations allowed by this section.

(f) Vacation leave shall be taken on a workday basis. Regularly scheduled days off and officially designated holidays falling within a period of vacation leave shall not be counted against vacation leave. Vacation leave shall not be taken in advance of being earned and shall only be taken in Pay periods subsequent to being earned.

(g) With the approval of the appointing authority for both the transferring and receiving officer or employee, an officer or employee may transfer accrued vacation leave, up to a maximum of forty (40) hours per fiscal year, to another officer or employee for purposes of sick leave in the event the receiving officer or employee or a family member suffers from a serious illness or injury. The amount transferred shall be converted to sick leave. An officer or employee shall not be allowed to receive more than one hundred sixty (160) hours of transferred leave per fiscal year, and a transfer shall not occur until the receiving employee has exhausted all of his or her accrued sick and vacation leave. An officer or employee shall not be eligible to transfer vacation leave unless his or her balance exceeds eighty (80) hours, and in no event may an officer or employee transfer an amount of accrued leave which would result in an accrued balance of less than eighty (80) hours.

(3) Upon separation from state employment and to the limits allowed by subsection (2) of this section, all classified officers and employees shall receive a lump sum payment for accrued but unused vacation leave at the hourly rate of pay of that officer or employee.

- Page 360 of the proposed rule deletes provisions related to the federal Family and Medical Leave Act (FMLA). This federal rule is now addressed in the statewide human resource policies.
 - Explanation: This federal law is very complex. Rather than restate portions of the law, a statewide policy was developed to ensure

consistency of state practices and procedures. The proposed rule removes the redundancy that is covered by federal law.

- Page 360 of the proposed rule deletes provisions providing for Maternity and Paternity Leave, which includes a prohibition on discrimination based on pregnancy.
 - Explanation: Federal law prohibits discrimination based on pregnancy and addresses maternity and paternity leave. The proposed rule removes the redundancy that is covered by federal law. The statewide policy ensures consistency of state practices and procedures.

- Page 360 of the proposed rule: layoff after six months' disability—revises this provision to provide for layoff after twelve weeks. (NOTE: The title of this subsection should be changed to reflect the text change from six months to twelve weeks).
 - Explanation: The proposed rule title should be revised to read Rule 241.02 Layoff After Twelve Weeks' Disability.

- Page 339 of the proposed rule: deletes a number of provisions concerning salary after reappointment from layoff; salary upon reinstatement; salary upon downward reassignment; and salary upon return from military duty.
 - Explanation: These proposed rules are covered in other Idaho Code or DHR rules. The proposed rules are a means to remove duplication of intent.
 - For example, "salary after reappointment from layoff" is addressed in Rules 145.01.c and 145.03.
 - Rule 145.01.c. reads: Individuals being returned to the classification from which they were laid off will be reinstated with the same salary, permanent status and their sick leave balance restored.
 - Rule 145.03 Employment by Other Agency reads: Individuals may be reappointed or reinstated if eligible. The salary of an employee re-hired after a layoff is negotiable between the employee and new appointing authority in the current pay grade for the classification in which the employee is appointed.
 - Salary upon reinstatement is addressed in proposed Rule 124.01 and reads: Eligibility. As determined by the administrator or

delegate, a current or former employee shall be eligible for reinstatement to a classification in which he or she held permanent status, or if deleted its successor, or to another classification of equal or lower pay grade under the following conditions.

- Salary upon downward reassignment is addressed by proposed Rule 72.01. Authorized Pay Rate. No employee in the state classified service shall be paid at a rate less than the minimum nor greater than the maximum rate of the pay grade assigned to the classification, except for employees who have performance evaluations indicating their work does not achieve standards at the time of a pay grade structure revision. Such employees may not be paid outside the pay grade for more than one thousand forty (1040) hours of credited state service.
- Salary upon return from military duty is addressed by Idaho Code and proposed DHR Rule 124.05: Return from Military Duty. An employee returning from military leave without pay (Rule 250.05) who is relieved or discharged from military duty under conditions other than dishonorable shall be, upon application, reinstated in his or her former position, or one of comparable classification, without loss of credited state service, status, or pay as prescribed by Sections 46-216, 65-508, 65-511 and 65-512, Idaho Code, and USERRA or the Military Selective Service Act, Title 38, Chapter 43, U.S. Code. Application for reemployment must be made in accordance with the provisions of USERRA.
- In addition, Section 46-216, Idaho Code reads: LEAVE OF ABSENCE FROM REGULAR DUTIES FOR MILITARY DUTY. All officers and employees of the state of Idaho who shall be members of the national guard or who shall be reservists in the armed forces of the United States, shall be entitled each calendar year to fifteen (15) days of military leave of absence from their respective duties without loss of pay, time, or efficiency rating during which they shall be engaged in military duty ordered or authorized under the provisions of law. Section 65-508, Idaho Code reads: REEMPLOYMENT AND LEAVE OF ABSENCE. All public employers shall comply with the reemployment, leave of absence, and other provisions of the uniformed services employment and reemployment rights act, 38 U.S.C. section 4301, et seq.
- Page 345 of the proposed rule: deletes provisions concerning employment examinations. Specifically, the proposed rule deletes the provision that all competitors shall be notified of their final exam scores and that the records of scores shall be held as official records for the life of the resulting eligibility registers.

- Explanation: This proposed rule is being deleted to reflect current technology. Final exam scores are automatically generated by the online Applicant Tracking System, stored in the database, and held longer than the life of the registers.
- Page 363 of the proposed rule: deletes the provision that any employee who has been requested to serve as mediator as provided by a departmental problem solving procedure or to appear as a witness or representative during such a proceeding shall be granted leave with pay, without charge to vacation leave or compensatory time off for overtime, to perform these duties.
 - Explanation: The granting of leave with pay to serve as a mediator or appear as a witness or representative during a departmental problem solving procedure is at the discretion of the appointing authority.
- Page 364 of the proposed rule adds a new provision that appears to be in conflict with statute. The proposed rule provides for forfeiture of compensatory time. That provision states: employees who become executives (within the meaning of section 67-5302, Idaho Code) within their current agency shall have six months from the date of appointment to use any compensatory time balance. After six months, any remaining balance will be forfeited. However, section 67-5328(3)(b), Idaho Code, provides that, in regard to executives, unused compensatory time balances in excess of 240 hours shall be forfeited on December 31, 2008. The time frame provided in the proposed rule, depending upon the date of one's appointment as executive, could well run counter to Idaho Code.
 - Explanation: Idaho Code states that FLSA Executive employees are ineligible for compensatory time for overtime work. The Code addresses a process that will eliminate all compensatory leave balances after December 31, 2008. The proposed rule is an on-going effort to continue legislative intent of Section 67-5328(3)(b), Idaho Code.
 - Following is the relevant language of Section 67-5328:

HOURS OF WORK AND OVERTIME.

(3) Cash for overtime and compensatory time shall be paid based on the following criteria:

 - (a) Classified and nonclassified officers and employees who fall within one (1) or more of the following categories are ineligible for cash compensation or compensatory time for overtime work:
 - (i) Elected officials; or

(ii) Those included in the definition of section 67-5303(j), Idaho Code.

(b) Classified and nonclassified employees who are designated as executive, as provided in section 67-5302, Idaho Code, and who are not included in the definition of subsection (3)(a) of this section, shall be ineligible for compensatory time or cash compensation for overtime work. Such salaried employees shall report absences in excess of one-half (1/2) day. Unused compensatory time balances in excess of two hundred forty (240) hours as of the date of enactment of this act shall be forfeited on December 31, 2008. Unused compensatory time balances of two hundred forty (240) hours or less shall be forfeited on December 31, 2006.

- We suggest that the Division explain why these and other provisions are being deleted (and revised) from this administrative rule and to what effect. If it is the case that these changes are necessary to “streamline the rules to coincide with the statewide human resource policies,” we believe there should be evidence that the specific provisions being eliminated are included in the new statewide human resource policies. However, it appears that the new statewide rules include only a portion of the provisions that are being deleted, and as they are Division policies, they do not carry the force and effect of law.
 - Explanation: There are no revisions to the rules that have a major impact or consequence with the exception of the elimination of Medical, Dental, or Optical Appointments Leave (MDA) (Rule 240.04). This leave type was added in rule, not Code driven, and provided an additional benefit that is already covered by sick leave.
 - The proposed rules are meant to provide guidance that is not delineated in federal or state laws. In contrast, the statewide policies provide specific guidance to agencies to ensure statewide consistency. If Idaho Code has directed DHR to create a specific rule, the rule has been promulgated only if it is not covered by federal or state law.
- Finally, we note that the scope of the proposed rule is not being changed from the current rule. The scope provision states that these rules establish the policies and procedures of the Idaho Personnel System. (See, page 328 of the Proposed Rule). However, we note that the proposed rule deletes and revises a large number of provisions related to the state’s personnel system. We also note that the proposed rule entirely deletes the compliance provision which states that “[i]n accordance with the Legislature’s intent in creating the Idaho Personnel Act and for consistency in rule administration, appointing authorities shall ensure that staff with human resource management responsibilities adhere to these

administrative rules.” Consequently, while the scope of the rules remains the same (establishing the policies and procedures of the Idaho Personnel System), there is no longer a specific provision requiring compliance with the rule.

- Explanation: Compliance with the Personnel System is addressed in Section 67-5312, Idaho Code, which reads: VIOLATIONS. Any person willfully violating any of the provisions of this act or of the rules or regulations established thereunder shall be guilty of a misdemeanor.
- In general, it appears that many changes in the proposed rule are made in an effort to make the rule consistent with Executive Order No. 2007-04 and with recently posted “statewide human resource policies.” While some of the issues raised by the changes found in the proposed rule might be dealt with through Division policies, those policies do not carry the force and effect of law as do administrative rules. The kind of changes reflected in the proposed rule might better be addressed through comprehensive legislation instead of through a combination of proposed rule changes, an Executive Order, and the posting of statewide human resource policies. Because of the scope of the changes reflected in the proposed rule, it may well be appropriate to deal with some, if not all, of these changes through legislation where full and informed debate can deal with these matters.

In closing, the intent of the proposed rule is not to align with either Executive Order No. 2007-04 or the statewide policies. Our goal for the proposed rule is twofold:

- 1) avoid duplication in DHR rule with Idaho Code and federal laws, and
- 2) focus on Idaho Code and legislative intent rather than relying on DHR rule for interpretation and implementation of the principles of the personnel system.

It is our hope that this information clarifies the concerns expressed in your comments.

As Acting Administrator, it is my intent to maintain the integrity of the merit system.

Thank you for the opportunity to provide further information on the proposed rules.

Report to the Governor

State Employee Compensation & Benefits



FY 2009
Change in
Employee
Compensation & Benefits
Report

Division of Human Resources
Department of Administration

INTRODUCTION

Early in his administration, Governor Otter asked for a review of the total compensation package currently offered to State employees. In order to study this issue, a task force was formed to examine the total compensation program for State employees. The task force was composed of representatives of the Division of Human Resources (DHR), the Department of Administration and the Public Employee Retirement System of Idaho (PERSI). The task force met numerous times over a six month period to examine the State's current compensation system. The task force was asked to define relevant labor markets and to formulate a strategy and a plan to bring state employee compensation into a competitive market position.

The task force proceeded with the total compensation review while following Idaho State Statute 67-5309A regarding State Employee Compensation Philosophy which states, "The state's overall compensation system, which includes both a salary and a benefit component, when taken as a whole shall be competitive with relevant labor market averages." The summary of recommendations is listed below, followed by a more in-depth explanation of those recommendations.

SALARY – Cash compensation (salary) is significantly behind the market. Based on the value of PERSI, the Governor's goal is for State salaries to achieve approximately 96% of the relevant market. This will be accomplished by at least a 5% per year adjustment to personnel budgets for at least the next five years.

HEALTH and Insurance BENEFITS – State employees benefit from generous insurance plans with the State currently spending \$172 million annually on behalf of employees for health, dental, life, short and long term disability insurance. The current level of cost sharing for the state health care plan is 78% state funded and 22% employee funded. The task force recommends a modest shift of health care funding to 70% state funded and 30% employee funded, to align with comparable private sector plans. The transition from the current level (78/22%) to the proposed level (70/30%) will occur over a four to five year period and will be generally attained through more competitive dependent premiums.

RETIREE BENEFITS – The retiree medical benefit is a pay as you go system, with no recognition of the State's medical retiree liability. Governmental Accounting Standards Board (GASB) 45 requires states to recognize all "other post employment benefits" – otherwise known as OPEB. The State's current estimated liability for OPEB is \$442 million. This liability will soon have an impact on the State's bottom line and could potentially affect Idaho's credit rating and ability to bond at low interest levels. The task force is recommending significant changes that would reduce the State's liability to approximately \$190 million.

PENSION – No changes are recommended to the overall PERSI benefit or plan design. The PERSI retirement benefit was found to be significantly richer than the retirement plans in the private sector.

The recommendations made in this report are focused on employee pay rather than the pay structure. However since the pay structure lags the market a new pay structure will be developed for implementation effective July 1, 2008.

As previously stated, Executive leadership and the Legislature have recognized the need to fund compensation on an annual basis. This importance is heightened by two key factors, one external and one internal.

The external factor is the *rate of unemployment*. The overall rate of unemployment in Idaho in October 2007 was 2.5%, down from 3.3% at the same time last year. There are parts of Idaho where the rate is even lower, such as the City of Boise where the rate is 0.9%. It is generally accepted by most labor economists that an unemployment rate of approximately 5% is full employment. The remaining 5% represents those that are unemployable with their current skill sets. This means that in the current labor market in Idaho, there are more positions available than there are qualified applicants to fill them.

Compensation funding decisions must take into consideration the need to attract the workforce of tomorrow by evaluating total compensation which is the mix of salary and benefits. It is recommended that funding decisions starting in FY2009 be the beginning of a trend to place more emphasis on increased funding of salaries and less emphasis on increased funding for benefits. This will be consistent with the mix of compensation that is important to tomorrow's workforce.

The internal factor is *workforce demographics*. Based on data provided by the State's Public Employees Retirement System, the average age at which employees retire from employment with the State is 62. Currently, 36% of State classified and nonclassified employees who are members of PERSI are 52 and above. The average age of State employees is 47; the average age of those hired into the State in the past year has been 36-40. In addition, 49% of all classified employees and 52% of all nonclassified employees (excluding higher education) are 46-60. Only 4.6% of the current classified workforce and 2.2% of the nonclassified workforce is under 26.

Another element of workforce demographics is state employee turnover. The rate of turnover is currently 15.9% for the classified workforce. More detailed information is included in the appendices.

In order to attract the workforce of tomorrow and to retain current employees it is vital that compensation decisions consider:

- a competitive total compensation package
- retention of employees in critical leadership and service roles
- retention of employees who will succeed those retiring in the next 10 years

- Increase the employee costs for dependents to a level consistent with private sector employees.
- Allocate future employee premium cost as a percentage of compensation, starting FY2009.
- Charge premiums for part time employees enjoying a full-time benefit at the full-time rate.

The change to a 70/30% plan will save the State nearly \$40 million over the next five years. If the State continues with the current health benefit plan, per employee costs will increase by \$2000 to a total of \$9200 per year. If recommended changes are accepted, per employee costs would be approximately \$8900 per year.

RETIREE BENEFITS CONCLUSIONS AND RECOMMENDATIONS

Retirees participating in the State retiree medical benefits plan pay about 78% of the total cost of claims with the State and State employees subsidizing the balance.

The task force recommends the following:

- Eliminate retiree medical benefits for any employee hired after July 1, 2008.
- Freeze the State and employee subsidies to the plan at current levels.
- Active and retiree coverage will be separately rated and any increase in the cost of retiree coverage as a result of separate rating shall be paid by the retiree.
- Change eligibility requirements for retiree health care coverage so that the retiree must work for the state until eligible for early retirement (prior to age 65); and secondly, must retire directly from State service.

PENSION BENEFITS CONCLUSIONS AND RECOMMENDATIONS

As previously stated, the State pension plan is significantly superior to the retirement plans of the private sector. The current State cash contribution to the plan on behalf of employees is 10.4% of salaries. Private sector employers contribute about 6% of salaries to their employees plan.

At this time there are no changes recommended to the pension benefits system.

NOTE: Historically DHR has considered many factors when compiling turnover data including employees in entrance probationary status.

Appendix A: Classified and Nonclassified Employee Age Ranges as of October 22, 2007.

Appendix B: Classified Total Turnover by Agency – FY2007.
Includes all separations – voluntary, involuntary, layoff, retirement, and transfer to other agency.
Sorted by turnover rate in descending order.

Appendix C: Classified Voluntary Turnover by Agency – FY2007.
Voluntary separations include: better job, compensation, dissatisfied, other, personal, and transfer to other agency; excludes entrance probation separations.
Sorted by turnover rate in descending order.

Appendix D: Classified Voluntary Turnover by Agency – FY2007.
Voluntary separations include: better job, compensation, dissatisfied, other, and personal; excludes transfer to other agency and entrance probation separations.
Sorted by turnover rate in descending order.

Appendix E: Classified Voluntary Turnover by Classification – FY2007.
Voluntary separations include: better job, compensation, dissatisfied, other, and personal; excludes transfer to other agency and entrance probation separations. Information includes classes with greater than 15% turnover and more than 9 employees
Sorted by turnover rate in descending order.

Appendix F: Agency Classified Compa-Ratio as of November 2, 2007.
Sorted by Compa-Ratio in ascending order.
Classified employees in colleges and universities and the Division of Vocational Rehabilitation are typically in administrative support or technical positions with lower compa-ratios. Professional and managerial employees are typically nonclassified.

Appendix G: Agency Classified Compa-Ratio as of November 2, 2007.
Sorted by Years of Service in ascending order.
Classified employees in colleges and universities and the Division of Vocational Rehabilitation are typically in administrative support or technical positions with lower compa-ratios. Professional and managerial employees are typically nonclassified.

Appendix B

Classified Total Turnover by Agency - FY2007

Includes all separations - voluntary, involuntary, layoff, retirement, transfer to other agency

Agency	Agency Name	Jan 06 Employee Count	Jan 07 Employee Count	Average Number Employees FY07	FY07 Separations	Turnover Rate
434	Outfit & Guides Bd	3	3	3	3	100.0%
332	Racing Comm	3	2	2.5	2	80.0%
194	Human Resources	34	19	26.5	19	71.7%
905	Independent Living Council	0	3	1.5	1	66.7%
429	Real Estate Comm	13	15	14	8	57.1%
425	Medicine Bd	8	8	8	3	37.5%
200	Administration	138	113	125.5	46	36.7%
502	Deaf & Blind School	51	43	47	16	34.0%
501	Education Bd	2	4	3	1	33.3%
421	Pharmacy Bd	10	8	9	3	33.3%
440	Lottery Comm	14	11	12.5	4	32.0%
444	Veterans Services	271	271	271	83	30.6%
503	Prof-Tech Education	13	14	13.5	4	29.6%
954	Health District IV	139	138	138.5	41	29.6%
953	Health District III	98	96	97	28	28.9%
523	Vocational Rehab	55	57	56	14	25.0%
189	Blind Comm	39	40	39.5	9	22.8%
300	Industrial Comm	72	74	73	16	21.9%
230	Correction	1449	1494	1471.5	299	20.3%
240	Labor	623	561	592	118	19.9%
340	Parks & Recreation	148	144	146	28	19.2%
360	Water Resources	162	167	164.5	31	18.8%
511	Lewis & Clark St College	134	133	133.5	25	18.7%
450	Building Safety	139	139	139	26	18.7%
512	Boise State University	657	660	658.5	121	18.4%
180	Financial Management	6	5	5.5	1	18.2%
956	Health District VI	118	118	118	21	17.8%
900	Public Utilities Comm	35	34	34.5	6	17.4%
522	Historical Society	41	44	42.5	7	16.5%
270	Health & Welfare	2903	2978	2940.5	472	16.1%
185	Liquor Dispensary	169	184	176.5	28	15.9%
951	Health District I	136	133	134.5	21	15.6%
285	Juvenile Corrections	337	343	340	53	15.6%
504	Eastern Id Tech College	32	34	33	5	15.2%
955	Health District V	81	81	81	12	14.8%
280	Insurance	59	63	61	9	14.8%
352	Tax Comm	381	388	384.5	52	13.5%
513	Idaho State University	653	667	660	88	13.3%
957	Health District VII	90	91	90.5	12	13.3%

Appendix C

Classified Voluntary Turnover by Agency FY2007

Voluntary Separations: Better Job, Compensation, Dissatisfied, Other, Personal, Transfer to Other Agency

Excludes entrance probation separations

Agency	Agency Name	July 06 Employee Count	July 07 Employee Count	Average Number Employees FY07	FY07 Separations	Turnover Rate
905	Independent Living Council	0	3	1.5	1	66.7%
434	Outfit & Guides Bd	3	3	3	2	66.7%
194	Human Resources	34	19	26.5	14	52.8%
421	Pharmacy Bd	10	8	9	3	33.3%
200	Administration	138	113	125.5	38	30.3%
425	Medicine Bd	8	8	8	2	25.0%
429	Real Estate Comm	13	15	14	3	21.4%
180	Financial Management	6	5	5.5	1	18.2%
444	Veterans Services	271	271	271	49	18.1%
954	Health District IV	139	138	138.5	24	17.3%
440	Lottery Comm	14	11	12.5	2	16.0%
900	Public Utilities Comm	35	34	34.5	5	14.5%
511	Lewis & Clark St College	134	133	133.5	19	14.2%
300	Industrial Comm	72	74	73	10	13.7%
240	Labor	623	561	592	80	13.5%
360	Water Resources	162	167	164.5	21	12.8%
340	Parks & Recreation	148	144	146	18	12.3%
450	Building Safety	139	139	139	16	11.5%
523	Vocational Rehab	55	57	56	6	10.7%
512	Boise State University	657	660	658.5	70	10.6%
188	Human Rights Comm	10	9	9.5	1	10.5%
520	Public Television	45	50	47.5	5	10.5%
953	Health District III	98	96	97	10	10.3%
189	Blind Comm	39	40	39.5	4	10.1%
952	Health District II	51	48	49.5	5	10.1%
280	Insurance	59	63	61	6	9.8%
220	Commerce	0	41	20.5	2	9.8%
285	Juvenile Corrections	337	343	340	30	8.8%
513	Idaho State University	653	667	660	57	8.6%
230	Correction	1449	1494	1471.5	122	8.3%
270	Health & Welfare	2903	2978	2940.5	242	8.2%
957	Health District VII	90	91	90.5	7	7.7%
245	Environmental Quality	341	341	341	26	7.6%
187	Office on Aging	13	14	13.5	1	7.4%
503	Prof-Tech Education	13	14	13.5	1	7.4%
352	Tax Comm	381	388	384.5	28	7.3%
522	Historical Society	41	44	42.5	3	7.1%

Appendix D

Classified Voluntary Turnover by Agency (Excludes Transfers) FY2007

Voluntary Separations: Better Job, Compensation, Dissatisfied, Other, Personal
Excludes entrance probation separations

Agency	Agency Name	July 06 Employee Count	July 07 Employee Count	Number Employee % FY07	FY07 Separations	Turnover Rate
434	Outfit & Guides Bd	3	3	3	1	33.3%
425	Medicine Bd	8	8	8	2	25.0%
444	Veterans Services	271	271	271	45	16.6%
440	Lottery Comm	14	11	12.5	2	16.0%
511	Lewis & Clark St College	134	133	133.5	19	14.2%
954	Health District IV	139	138	138.5	17	12.3%
421	Pharmacy Bd	10	8	9	1	11.1%
360	Water Resources	162	167	164.5	18	10.9%
523	Vocational Rehab	55	57	56	6	10.7%
188	Human Rights Comm	10	9	9.5	1	10.5%
953	Health District III	98	96	97	10	10.3%
220	Commerce	0	41	20.5	2	9.8%
300	Industrial Comm	72	74	73	7	9.6%
512	Boise State University	657	660	658.5	63	9.6%
340	Parks & Recreation	148	144	146	13	8.9%
900	Public Utilities Comm	35	34	34.5	3	8.7%
450	Building Safety	139	139	139	12	8.6%
285	Juvenile Corrections	337	343	340	28	8.2%
280	Insurance	59	63	61	5	8.2%
952	Health District II	51	48	49.5	4	8.1%
513	Idaho State University	653	667	660	53	8.0%
189	Blind Comm	39	40	39.5	3	7.6%
270	Health & Welfare	2903	2978	2940.5	218	7.4%
230	Correction	1449	1494	1471.5	106	7.2%
957	Health District VII	90	91	90.5	6	6.6%
520	Public Television	45	50	47.5	3	6.3%
331	Brand Inspector	33	33	33	2	6.1%
504	Eastern Id Tech College	32	34	33	2	6.1%
210	Agriculture	196	205	200.5	12	6.0%
956	Health District VI	118	118	118	7	5.9%
245	Environmental Quality	341	341	341	20	5.9%
183	PERSI	55	58	56.5	3	5.3%
240	Labor	623	561	592	30	5.1%
200	Administration	138	113	125.5	6	4.8%
522	Historical Society	41	44	42.5	2	4.7%
951	Health District I	136	133	134.5	6	4.5%
352	Tax Comm	381	388	384.5	17	4.4%
502	Deaf & Blind School	51	43	47	2	4.3%

Appendix E

Classified Voluntary Turnover by Classification (Excludes Transfers) FY2007 - Greater Than 15 Percent & Greater Than 9 Employees

Voluntary Separations: Better Job, Compensation, Dissatisfied, Other, Personal
Excludes entrance probation separations

Class Title	July 06 Employee Count	July 07 Employee Count	Avg Number Emps FY07	FY07 Separations	Turnover Rate	Class Compa-Ratio 11/2/07	Comments
ENGINEER-IN-TRAINING	13	6	9.5	5	52.6%	105.7%	Agencies - DEQ; Trans; Water Resources. All Separation - Better Job.
NURSING ASST. CERTIFIED	74	73	73.5	25	34.0%	90.3%	Agency - Veteran Services. Type of work.
ECONOMIC DEVMT SPEC	10	11	10.5	3	28.6%	84.8%	Agency - Commerce
WATER RSRC AGENT,SR	22	21	21.5	5	23.3%	86.1%	Agency - Water Resources. 4 Separations - Better Job.
ACCOUNT COLLECTION SPEC	9	10	9.5	2	21.1%	83.0%	Agencies - Tax Comm & LCSC. 1 Separation - Better Job.
CLIENT SVCS TECH	13	16	14.5	3	20.7%	98.6%	Agency - Health & Welfare. Type of work.
WORKFORCE. CONSULTANT	16	13	14.5	3	20.7%	83.0%	Various Agencies - Majority in Labor. 2 Separation - Better Job.
COMMUNICATIONS SUPV	10	10	10	2	20.0%	104.3%	Agencies - Health & Welfare; ISP
ELECTRICIAN	16	14	15	3	20.0%	99.3%	Various Agencies
PAINTER	11	10	10.5	2	19.0%	91.9%	Various Agencies - Majority in BSU & ISU. 1 Separation - Better Job.
REHAB SPEC, DJC	18	14	16	3	18.8%	86.4%	Agency - DJC. 2 Separation - Better Job
DEV DIS TECH TRNEE,ISSH	24	19	21.5	4	18.6%	87.1%	Agency - Health & Welfare. Type of work.
WEB DEVELOPER	10	12	11	2	18.2%	91.8%	Various Agencies
CORR SPECIALIST	8	82	45	8	17.8%	93.1%	Agency - Correction. 5 Separation - Better Job.

Appendix F

Agency Classified Compa-Ratio - 11/2/07

Agency	Agency Name	Number of Employees	Compa-Ratio	Average Pay Rate	Average Policy Rate	Average Years of Service
435	Veterinary Med Bd	1	78.9%	\$11.04	\$14.73	3.6
441	Hispanic Affairs	2	78.7%	\$12.59	\$16.42	4.1
905	Independent Living Council	2	82.6%	\$13.56	\$16.42	1.9
523	Vocational Rehab	64	85.7%	\$13.94	\$16.28	8.9
429	Real Estate Comm	14	85.8%	\$14.83	\$17.27	4.2
427	Occupational License	29	86.9%	\$15.21	\$17.50	8.3
425	Medicine Bd	8	87.0%	\$12.95	\$14.89	13.7
220	Commerce	42	88.0%	\$18.90	\$21.48	9.2
511	Lewis & Clark St College	135	88.3%	\$12.81	\$14.50	8.5
513	Idaho State University	680	88.3%	\$13.24	\$14.99	9.8
230	Correction	1546	88.7%	\$16.76	\$18.91	7.3
512	Boise State University	685	89.1%	\$13.26	\$14.89	8.9
501	Education Bd	2	89.3%	\$13.27	\$14.86	0.3
331	Brand Inspector	29	89.5%	\$15.46	\$17.27	13.3
521	Commission For Libraries	38	89.7%	\$16.97	\$18.93	10.2
351	Tax Appeals	3	90.4%	\$21.78	\$24.10	11.5
434	Outfit & Guides Bd	4	90.4%	\$12.72	\$14.07	4.0
300	Industrial Comm	73	90.5%	\$14.66	\$16.20	9.3
320	Lands	248	91.2%	\$21.19	\$23.25	13.8
188	Human Rights Comm	10	91.8%	\$18.35	\$19.99	10.7
952	Health District II	49	92.2%	\$17.78	\$19.27	9.7
340	Parks & Recreation	148	92.6%	\$18.30	\$19.76	13.0
440	Lottery Comm	11	92.6%	\$14.52	\$15.69	9.2
183	PERSI	56	93.0%	\$17.62	\$18.94	12.4
285	Juvenile Corrections	346	93.1%	\$17.41	\$18.71	8.7
421	Pharmacy Bd	10	93.2%	\$16.46	\$17.67	7.3
360	Water Resources	172	93.6%	\$22.18	\$23.69	12.7
951	Health District I	130	93.7%	\$18.31	\$19.54	9.4
522	Historical Society	45	94.0%	\$18.67	\$19.87	11.5
245	Environmental Quality	340	94.0%	\$23.48	\$24.99	11.2
520	Public Television	48	94.0%	\$18.08	\$19.23	11.1
189	Blind Comm	42	94.2%	\$17.67	\$18.76	11.2
957	Health District VII	89	94.5%	\$18.21	\$19.26	9.0
444	Veterans Services	272	94.8%	\$14.72	\$15.52	7.2
352	Tax Comm	395	95.2%	\$19.39	\$20.38	12.4
185	Liquor Dispensary	190	95.6%	\$14.57	\$15.24	8.7
194	Human Resources	14	95.7%	\$20.10	\$21.01	15.7
200	Administration	121	95.7%	\$18.94	\$19.79	11.0
956	Health District VI	114	96.3%	\$17.71	\$18.39	8.9
210	Agriculture	197	96.4%	\$21.78	\$22.58	12.3
260	Fish & Game	492	96.5%	\$21.78	\$22.57	13.8

Appendix G

Agency Classified Compa-Ratio - 11/2/07

Agency	Agency Name	Number of Employees	Compa Ratio	Average Pay Rate	Average Policy Rate	Average Years of Service
501	Education Bd	2	89.3%	\$13.27	\$14.86	6.3
905	Independent Living Council	2	82.6%	\$13.56	\$16.42	1.9
435	Veterinary Med Bd	1	74.9%	\$11.04	\$14.73	6.0
434	Outfit & Guides Bd	4	90.4%	\$12.72	\$14.07	6.0
441	Hispanic Affairs	2	76.7%	\$12.59	\$16.42	7.0
429	Real Estate Comm	14	85.8%	\$14.83	\$17.27	4.2
953	Health District III	97	100.4%	\$18.00	\$17.93	7.1
424	Engr & Surveyors Bd	2	109.4%	\$16.25	\$14.86	7.2
444	Veterans Services	272	94.8%	\$14.72	\$15.52	7.2
230	Correction	1546	88.7%	\$16.76	\$18.91	7.3
421	Pharmacy Bd	10	93.2%	\$16.46	\$17.67	7.3
280	Insurance	61	96.8%	\$19.68	\$20.33	8.0
427	Occupational License	29	86.9%	\$15.21	\$17.50	8.3
511	Lewis & Clark St College	135	88.3%	\$12.81	\$14.50	8.5
954	Health District IV	139	100.5%	\$18.24	\$18.14	8.5
450	Building Safety	139	97.9%	\$20.03	\$20.46	8.5
955	Health District V	82	98.5%	\$18.67	\$18.96	8.6
285	Juvenile Corrections	346	93.1%	\$17.41	\$18.71	8.7
185	Liquor Dispensary	190	95.6%	\$14.57	\$15.24	8.7
523	Vocational Rehab	64	85.7%	\$13.94	\$16.28	8.9
956	Health District VI	114	96.3%	\$17.71	\$18.39	8.9
512	Boise State University	685	89.1%	\$13.26	\$14.89	8.9
957	Health District VII	89	94.5%	\$18.21	\$19.26	9.0
220	Commerce	42	88.0%	\$18.90	\$21.48	9.2
440	Lottery Comm	11	92.6%	\$14.52	\$15.69	9.2
300	Industrial Comm	73	90.5%	\$14.66	\$16.20	9.3
951	Health District I	130	93.7%	\$18.31	\$19.54	9.4
504	Eastern Id Tech College	33	96.7%	\$14.04	\$14.51	9.4
952	Health District II	49	92.2%	\$17.78	\$19.27	9.7
513	Idaho State University	680	88.3%	\$13.24	\$14.99	9.8
270	Health & Welfare	2995	97.3%	\$19.76	\$20.30	9.8
341	Lava Hot Springs	9	97.2%	\$13.46	\$13.85	10.1
521	Commission For Libraries	38	89.7%	\$16.97	\$18.93	10.2
188	Human Rights Comm	10	91.8%	\$18.35	\$19.99	10.7
503	Prof-Tech Education	14	102.1%	\$14.99	\$14.68	10.7
250	Finance	49	100.9%	\$24.29	\$24.08	11.0
200	Administration	121	95.7%	\$18.94	\$19.79	11.0
520	Public Television	48	94.0%	\$18.08	\$19.23	11.1
330	State Police	473	105.4%	\$22.42	\$21.27	11.1
245	Environmental Quality	340	94.0%	\$23.48	\$24.99	11.2
189	Blind Comm	42	94.2%	\$17.67	\$18.76	11.2

Department of Administration
APPENDICES

Appendix A
Total Covered Charges Projected Through FY2013 Toward a 70/30 Cost Share

Estimated Trend	7.5%	10.0%	10.0%	10.0%	10.0%	10%	10%	10%	10%
Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015
Employer/Employee Share	77/23 Split	78/22 Split	79/21 Split	79/21 Split	79/21 Split	74/26 Split	73/27 Split	72/28 Split	71/29 Split
Employee	23%	22%	21%	21%	25%	26%	27%	28%	29%
State	77%	78%	79%	79%	75%	74%	73%	72%	71%
Incurring Claims	\$ 122,604,384	\$ 134,064,822	\$ 148,351,304	\$ 148,351,304	\$ 148,351,304	\$ 163,861,453	\$ 179,066,078	\$ 197,466,386	\$ 217,401,745
EE Ded. & Co. Payments	\$ 28,379,315	\$ 29,996,936	\$ 31,877,744	\$ 31,877,744	\$ 31,877,744	\$ 35,615,377	\$ 39,591,775	\$ 43,568,173	\$ 47,591,745
Vision	\$ 1,247,822	\$ 1,372,605	\$ 1,509,865	\$ 1,509,865	\$ 1,509,865	\$ 1,660,852	\$ 1,826,937	\$ 2,009,630	\$ 2,210,593
Premium Tax	\$ 1,846,702	\$ 2,031,372	\$ 2,234,510	\$ 2,234,510	\$ 2,234,510	\$ 2,457,961	\$ 2,703,757	\$ 2,974,132	\$ 3,271,546
Blue Cross Admin.	\$ 6,477,753	\$ 7,125,528	\$ 7,838,081	\$ 7,838,081	\$ 7,838,081	\$ 8,621,889	\$ 9,484,078	\$ 10,432,486	\$ 11,475,734
Disabled Reserve	\$ 1,268,634	\$ 1,395,497	\$ 1,535,047	\$ 1,535,047	\$ 1,535,047	\$ 1,688,552	\$ 1,857,407	\$ 2,043,148	\$ 2,247,463
State Admin.	\$ 711,384	\$ 732,726	\$ 754,707	\$ 754,707	\$ 754,707	\$ 800,669	\$ 824,689	\$ 849,430	\$ 874,913
Retiree Subsidy	\$ 3,529,344	\$ 3,529,344	\$ 3,529,344	\$ 3,529,344	\$ 3,529,344	\$ 3,529,344	\$ 3,529,344	\$ 3,529,344	\$ 3,529,344
Total Covered Charges	\$ 166,065,338	\$ 181,048,830	\$ 197,630,602	\$ 197,630,602	\$ 197,630,602	\$ 215,809,331	\$ 235,532,407	\$ 257,143,524	\$ 280,826,728
EMPLOYEE COSTS									
Employee Ded., Etc.	\$ 28,379,315	\$ 29,996,936	\$ 31,877,744	\$ 31,877,744	\$ 31,877,744	\$ 33,694,775	\$ 35,615,377	\$ 37,645,454	\$ 39,791,245
Employee Cash Contribution	\$ 11,061,424	\$ 11,061,424	\$ 11,061,424	\$ 11,061,424	\$ 11,061,424	\$ 11,061,424	\$ 11,061,424	\$ 11,061,424	\$ 11,061,424
Total Employee Cost	\$ 37,676,067	\$ 39,293,688	\$ 41,003,514	\$ 41,003,514	\$ 41,003,514	\$ 44,756,199	\$ 46,676,801	\$ 48,706,878	\$ 50,852,669
Employee Share	23.1%	22.1%	21.1%	21.0%	21.0%	26.0%	27.0%	28.0%	29.0%
STATE COST									
Cash Appropriation	\$ 127,206,381	\$ 127,206,381	\$ 127,206,381	\$ 127,206,381	\$ 127,206,381	\$ 159,698,905	\$ 171,938,657	\$ 185,143,338	\$ 199,386,977
Reserve Changes	\$ 2,077,315	\$ (11,365,266)	\$ (26,152,106)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Cash Cost	\$ 125,129,066	\$ 138,571,648	\$ 153,358,488	\$ 148,355,061	\$ 148,355,061	\$ 159,698,905	\$ 171,938,657	\$ 185,143,338	\$ 199,386,977
State Share	75%	77%	78%	78%	74%	74%	73%	72%	71%

**Appendix C
Comparison of 5% Pay Increases And Increased Employee Medical Contributions**

Fiscal	Total Salary	Total Employee	Medical Premium	Medical Premium	Net Salary
Year	Increase	Medical Premium	Increase	Increase	Increase
2007	NA	\$11,545,700			
2008	\$37,802,800	\$11,545,700	\$0	\$37,802,800	
2009	\$39,692,900	\$18,416,884	\$6,871,184	\$32,821,716	
2010	\$41,677,500	\$23,274,619	\$4,857,735	\$36,819,765	
2011	\$43,761,400	\$28,844,699	\$5,567,700	\$38,193,700	
2012	\$45,949,500	\$35,217,893	\$6,373,194	\$39,576,306	
2013	\$48,247,000	\$42,557,758	\$7,339,865	\$40,907,135	



Milliman

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December 10, 2007

Mr. Alan H. Winkle
Executive Director
Public Employee Retirement System of Idaho
P.O. Box 83720
Boise, ID 83720-0078

Re: Revised Actuarial Impact Statement for Proposed 2007 Legislation Regarding State Sick Leave Benefits - Removal of Cap

Dear Alan:

We have updated our previous estimate of the fiscal impact of proposed changes to remove the Maximum Hours Cap for the State Sick Leave Plan. This update reflects the asset gain experienced by the System during the fiscal year ending June 30, 2007, discounted back to July 1, 2006 (the last time a Sick Leave Valuation was completed). We previously estimated that removing the Maximum Hours Cap would increase the actuarially determined contribution rate for the State Sick Leave Plan by 0.33% of member pay. If we reflect the asset gain for the year ending June 30, 2007 the increase in the actuarially determined contribution rate is only 0.27% of member pay.

To maintain consistency with the prior study, we have calculated the increase in the actuarially determined contribution rate assuming the contribution rate change would be effective July 1, 2007 and the plan change would be effective July 1, 2006, although we are now past those dates. Please let us know if you would like us to revise the calculations to reflect different effective dates.

The figures presented in this letter have been estimated based on the findings in the 2006 Study of Unused Sick Leave Benefits Valuation. The enclosed "Table 2A" follows the format of Table 2 in the Sick Leave Valuation. Table 2A compares the costs of the current program shown in column 1 "with cap" to the costs if the hours cap is removed in column 3 "no cap". The costs in column 1 match the Sick Leave Valuation Report, column 2 shows our previous study's results and column 3 reflects the 2006-2007 asset gain. The cap removal would not impact the school members, as they currently do not have any maximum on their hours. Since the two groups are both valued and funded separately, the adoption of the proposed benefit change for the state group will not impact the cost for the school group.

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Mr. Alan Winkle
December 10, 2007
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On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

We have not explored any legal issues with respect to this change. Milliman is not a law firm and we cannot offer legal advice. Please discuss the legal issues with appropriate legal counsel.

I, Robert L. Schmidt, am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or comments, please call.

Sincerely,

Robert L. Schmidt, F.S.A., E.A., M.A.A.A.
Consulting Actuary

RLS/pap

Attachment

cc: Ms. Karen I. Steffen (w/attachment)
Mr. Mark C. Olleman (w/attachment)

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OFFICE OF THE PRINCIPAL ACTUARIES WORLDWIDE

IDAHO WORKFORCE DEMOGRAPHICS

From 2005 – 2006, Idaho's population grew 2.6 percent, while the population for the U.S. as a whole grew 1 percent.

Idaho's workforce is aging.

- From 1992 through 2002, an increasing percentage of the workforce was 45 years and older.
- The proportion of people 65 years and older who continue working has also increased, but slightly.
- Since 2002, Idaho's average unemployment rate has been below the national level.
- The number of Idaho applicants went down 20% from 2003 – 2006.
- Unemployment rates have gone down from 5.4% in 2002, to 3.4% in 2006
- As of 2010, more workers will be leaving than entering the workforce

Gender Breakdown:

- 54.8% males comprise Idaho's workforce
- 45.2% females comprise Idaho's workforce

Employment Projections:

- Despite the employment decline in some industries, Idaho overall is experiencing healthy job growth. Between the final quarters of 2006 & 2008, over 38,000 new workers were needed to fill newly created jobs or replace retirees and other workers leaving the labor force, resulting in a 2.7% annualized growth rate.
- The fastest growing occupations in Idaho are:
 - Healthcare
 - Network Systems
 - Hotel, Motel industry
- Occupations with Projected Job losses between 2006 & 2008, include:
 - Engineering Managers

Breakdown of Idaho job classification openings vs applicants:

	<u>Openings</u>	<u>Applicants</u>
○ Architecture & Engineering	205%	-35%
○ Business & Finance	131%	-20%
○ Computer, Math, Science	154%	-21%
○ Education, training	120%	-18%
○ Transportation, Delivery	90%	-20%

- Jobs requiring either an associate degree or postsecondary vocational training are projected to be the fastest growing Idaho jobs.
 - As of the 2000 census, 21.7% of the population had a bachelor's degree or higher, vs 24.4% nationally
 - National and regional models indicate declining numbers of high school graduates beginning FY 2008 and continuing through FY 2013

NATIONAL WORKFORCE DEMOGRAPHICS

- **The growth of the national labor force has been in decline since 1970 and is expected to continue to shrink:**
 - From 1970-80, the labor force grew at a rate of 2.6 per cent
 - From 1980-90, it grew at a rate of 1.2%
 - From 1990-2000, it grew at a rate of 1.2%
 - From 2000-2015 the projected growth is 1.0%
 - From 2015-2025, the projected growth is 0.2%
- **The median age of the labor force is rising:**
 - By 2008, it will approach 41 years of age (40.7 years)
- **More women are in the labor force:**
 - Women account for 47% of the current labor force
- **Asians and Hispanics have the fastest labor force growth:**
 - White, non-Hispanics will still be the largest labor force group, accounting for about 71% of the labor force in 2008. Hispanics will account for about 13%, black, non-Hispanics for about 11% and Asians and other groups for about 5%.
- **The Social Security Administration expects that before the middle of the 21st century, there will be only two workers for every beneficiary.**
- **The average person in the U.S. now holds around 9 jobs from age 18 – 34 years of age.**
- **About one person in 20 works more than one job.**
- **Nearly ¾ of all mothers are in the labor force.**
- **Availability of high school graduates:**
 - National models indicate declining numbers of high school graduates beginning FY 2008 and continuing through FY2013
- **Almost 80% of retirees intend to keep working**