

MINUTES
SENATE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Thursday, January 28, 2016

TIME: 1:30 P.M.

PLACE: Room WW54

MEMBERS PRESENT: Chairman Patrick, Vice Chairman Martin, Senators Lakey, Guthrie, Heider, Rice, Thayn, Schmidt and Ward-Engelking

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Patrick** called the meeting to order at 1:30 p.m.

PASSED GAVEL: Chairman Patrick passed the gavel to Vice Chairman Martin to review the rules.

DOCKET NO. 17-0211-1501 **Administrative Rules of the Industrial Commission Under Workers' Compensation Law - Security for Compensation - Self-Insured Employers. Scott McDougall**, Benefits Administration Manager, Industrial Commission (Commission), reported there are no changes to the pending rule and it is being adopted as originally proposed. He stated the Commission intends to proceed with implementation of Electronic Data Interchange (EDI) Claims Release 3.0, a secured, electronic interchange of documents that would allow the submission of all relative workers' compensation claims information to be reported electronically to the Commission. EDI would alleviate the repetitive data entry and bring increased productivity in its claims and benefits department that would result in less paper being generated at the agency. The proposed rule amendment defines a Claims Administrator who adjusts workers' compensation claims as Claims Administrators to the Commission. The rule amendment would be necessary to comply with EDI rules, and it "mirrors" the proposed amendments of Docket No. 17-0210-1501. Negotiated rulemaking was conducted. There is no negative fiscal impact.

Manager McDougall outlined the changes and referred to the misnumbering of the rules on page 76, that he had already called this to the attention of the State Administrative Rules Coordinator. He pointed out that some words were changed for clarification. **Senator Thayn** asked why, in the descriptive summary, there was no reference to the electronic exchange of documents. **Manager McDougall** replied that it was because definitions were already included in the rule.

MOTION: **Senator Thayn** moved to approve **Docket No. 17-0211-1501**. **Senator Ward-Engelking** seconded the motion. The motion carried by **voice vote**.

DOCKET NO. 38-0301-1501 **Rules Governing Group Insurance. Jennifer Pike**, Administrator, Office of Group Insurance, reported there are no changes to the pending rule and it is being adopted as originally proposed. She said this rule revises the definitions for seasonal employee and part-time temporary employee and removes obsolete definitions. There is no fiscal impact from the rule change. Negotiated rulemaking was not conducted because the proposed rule change will provide conformity with federal law.

MOTION: **Senator Heider** moved to approve **Docket No. 38-0301-1501**. **Senator Thayn** seconded the motion. The motion carried by **voice vote**.

**DOCKET NO.
38-0501-1501**

Rules of the Division of Purchasing. Sarah Hildebrand, Administrator, Division of Purchasing (Division), pointed out this rule was a housekeeping rule based on items approved last year. There are no changes to the pending rule and it is being adopted as originally proposed. She said the term "purchasing authority" is used in the rules that were revised by the 2015 legislative session. The term "purchasing activity" remains in the rules where revisions were not approved. This temporary and proposed rule provides a consistent definition for both terms and blends the revised and unrevised rules. This rulemaking establishes a definition for the terms "purchasing activity" and "purchasing authority." There is no fiscal impact. Negotiated rulemaking was not conducted because temporary rulemaking was required.

Vice Chairman Martin pointed out an error on page 158, indicating that Bill Burns was no longer the Administrator.

MOTION:

Senator Ward-Engelking moved to approve **Docket No. 38-0501-1501**. **Senator Thayne** seconded the motion. The motion carried by **voice vote**.

**DOCKET NO.
59-0103-1402**

Public Employee Retirement System of Idaho (PERSI) - PERSI Contribution Rules. Don Drum, Executive Director, PERSI, reported the purpose of this pending rule was to eliminate contribution rate increases for employers and employees. He said this rule was a temporary rule in 2015. He said that in 2009, the PERSI Board (Board) authorized a series of three rate increases. The first increase went into effect in July 2013, but with market recovery, the Board was able to delay the second and third increases. In October of 2014, the Board determined, based on the actuarial valuation, that it could eliminate the next two scheduled increases and authorized that elimination.

Senator Guthrie asked if the volatile stock market is a concern to the Board. **Director Drum** remarked that is always a concern, but he did not see the market affecting this fund.

Vice Chairman Martin asked how the 110 percent funding benchmark was determined. **Director Drum** remarked the Board settled on that figure, but it is not in code.

Senator Schmidt asked what kind of agreement was in place in order to lower or raise the rate? **Director Drum** said this was only an agreement and the Board did not agree to never raise the rate. All 22 employers understood the Board could raise the rate if necessary.

MOTION:

Senator Schmidt moved to approve **Docket No. 59-0103-1402**. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

**DOCKET NO.
59-0103-1403**

Public Employee Retirement System of Idaho - PERSI Contribution Rules. **Director Drum** said the purpose of this pending rule was to reduce the excess merger cost portion of the Firefighter Retirement Fund (FRF). That rate is paid by employers that are responsible under statute to pay the added costs associated with paying down the liability in the FRF. He gave a brief history of the FRF and indicated this fund was closed in 1980 and moved to PERSI. He noted the FRF was not well-funded at that time. The excess merger rate was at 17.24 percent and had been at that rate since 1997. During 2014, the Board determined that it could lower the excess merger cost rate if the funded rate of the FRF reached 110 percent. The Board considered that a funded rate of 110 percent would allow a reduction of the excess cost rate while at the same time providing a cushion against market volatility. He said the excess merger cost was reduced last year. The July 1, 2014 actuarial valuation showed the FRF was funded at 110.9 percent. The 2015 actuarial valuation showed the

FRF at 119.6 percent funded. Based on this information, the Board authorized lowering the rate from 17.25 percent to 5 percent, effective January 1, 2015. There is no negative fiscal impact to the General Fund. Negotiated rulemaking was not conducted because it would be inconsistent with the Board's exclusive fiduciary responsibility for plan operations. The Board had significant and ongoing discussions with the fire districts and city fire departments employers and they supported the Board's action.

MOTION : **Senator Ward-Engelking** moved to approve **Docket No. 59-0103-1403**. **Senator Guthrie** seconded the motion. The motion carried by **voice vote**.

DOCKET NO. 59-0201-1601 **Public Employee Retirement System of Idaho (PERSI)- Rules for the Judges' Retirement Fund.** **Director Drum** indicated this is a temporary rule. These rules apply to the Judges' Retirement Fund (JRF). The actuarial valuation for the JRF for the period ending June 30, 2015, reflected that the amortization period is above the maximum 25-year amortization period contained in statute. **Director Drum** indicated the JRF was moved to PERSI July 1, 2014.

Director Drum pointed out statutes changed to coincide with PERSI. The Board has acted to adopt the rate increase as required by Idaho Code § 1-2004A to bring the amortization period to 25 years or less. The rate increase becomes effective July 1, 2017. Employer contribution rates will increase from 55.28 percent to 62.53 percent of salaries, and employee rates will increase from 10.23 percent to 11.57 percent of salaries, beginning July 1, 2017. This will affect the General Fund to the extent the contributions required of the employer (Supreme Court) are made from General Fund dollars. Negotiated rulemaking was not conducted because it is not feasible as it would be inconsistent with the Retirement Board's need to bring the amortization rate to 25 years or less and with the Board's exclusive fiduciary responsibility for plan operations. The proposed rate increase is in line with current law.

Vice Chairman Martin and **Director Drum** had a conversation about proposed rate changes and another evaluation being conducted next fall.

TESTIMONY: **Barry Wood**, District Judge, Idaho Supreme Court, said that from 1947 to 2014 the JRF was funded by civil filing fees and employer and employee fees. In 2012, the fund was set up for PERSI to administer. He explained the previous civil filing fees that had to go into the plan went to the General Fund and back out to PERSI.

MOTION: **Senator Heider** moved to approved **Docket No. 59-0201-1601**. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

PASSED GAVEL: Vice Chairman Martin passed the gavel to Chairman Patrick.

MINUTES APPROVAL: **Senator Lakey** moved to approve the Minutes of January 19, 2016. **Vice Chairman Martin** seconded the motion. The motion carried by **voice vote**.

GUBERNATORIAL APPOINTMENT & VOTE: The appointment of Jeff Cilek of Boise, Idaho, as a Board member of PERSI, to serve a term commencing July 1, 2015 and expiring July 1, 2020. **Jeff Cilek** gave a brief background of his experience. He mentioned he had worked for ten years in Washington, D.C., for United States Senators James A. McClure and Mark O. Hatfield and was Legislative and Staff Director of the United States Senate Appropriations Subcommittee. Currently, he is Vice President of St. Luke's Health System External/Governmental Relations. **Chairman Patrick** asked **Mr. Cilek** if he enjoyed being on the PERSI Board. He said he enjoys the great opportunity of being on the Board.

Vice Chairman Martin asked Mr. Cilek to describe his major accomplishments. **Mr. Cilek** said he has been involved in the investment community, specifically to include a management firm called Longview.

Senator Schmidt asked Mr. Cilek about the composition of the Board and that two members should be appointed who have at least 10 years of credited service. **Mr. Cilek** confirmed he was one of the other three who satisfy the obligation.

MOTION: **Senator Heider** moved to send the gubernatorial appointment of Jeff Cilek, PERSI Board Member, to the floor with the recommendation that he be confirmed by the Senate. **Senator Lakey** seconded the motion. The motion carried by **voice vote**. Senator Heider will carry the appointment on the floor.

RS 24158 **Relating to a Benefits Corporation.** **Senator Chuck Winder** said the purpose of this bill is to amend current code regulating Benefits Corporations by removing the requirements of filing an annual report to the Idaho Secretary of State. He said this was a housekeeping bill.

MOTION: **Senator Lakey** moved to send **RS 24158** to print. **Senator Ward-Engelking** seconded the motion. The motion carried by **voice vote**.

S 1202 **Personnel System/Non-Classified Employee** was rescheduled for the meeting of February 2, 2016.

ADJOURNED: There being no further business, **Chairman Patrick** adjourned the meeting at 2:09 p.m.

Senator Patrick
Chair

Linda Kambeitz
Secretary