

MINUTES

CHANGE IN EMPLOYEE COMPENSATION COMMITTEE

DATE: Monday, January 15, 2018

TIME: 2:00 P.M.

PLACE: Lincoln Auditorium

MEMBERS PRESENT: Senators Co-Chairman Patrick, Guthrie, Martin, Lakey, Thayn, Souza, Potts, Ward-Engelking, and Burgoyne

Representatives Co-Chairman Anderson, Hartgen, Wood, Harris, Holtzclaw, Packer, Redman, King, and Chew

**ABSENT/
EXCUSED:** None

CONVENED: **Co-Chairman Senator Jim Patrick** called the meeting of the Change in Employee Compensation Committee (CECC) to order at 2:00 p.m. **Co-Chairman Patrick** remarked that he was impressed with the thoughtful questions put forth by CECC members. He commented that the work produced reveals that the members care about the people of Idaho (Note: Attachments can be found at <https://legislature.idaho.gov/sessioninfo/2018/joint/cec-materials/>).

PRESENTATION: Employee Group Health Insurance Program Structure. Jennifer Pike, Administrator, Office of Group Insurance (OGI), Idaho Department of Administration (DOA), discussed the OGI's component of total compensation. She indicated that OGI Director Bob Geddes and Deputy Director Keith Reynolds are available to answer questions.

Ms. Pike outlined the staffing of the OGI and its operating budget for Fiscal Year (FY) 2018 of \$824,700 (Jennifer Pike, Employee Group Health Insurance Program Structure, page 3-4). She pointed out that OGI was established to negotiate and administer cost-effective competitive group insurance benefits for State employees, retirees, and their dependants. **Ms. Pike** identified the following types of insurance OGI administers:

- Basic Life Insurance
- Voluntary Term-Life
- Short and Long-Term Disability
- Flexible Spending Account (FSA)
- Active employee dental
- Active employee & retiree medical

Ms. Pike explained that some benefits are a part of employment, while others have optional participation. She referred to "Benefits at a Glance" (Jennifer Pike, Benefits at a Glance) which gives an overview of the benefits listed above, and she identified Navia Benefit Solutions as the vendor for Flexible Spending Accounts (FSA's), Blue Cross of Idaho (BCI) as the vendor for medical insurance, and ComPsych as the provider for counseling (Jennifer Pike, Employee Group Health Insurance Program Structure, page 7-10).

Ms. Pike compared the structure and costs of the three types of medical plans, i.e. traditional, Preferred Provider Organization (PPO), and high deductible (Jennifer Pike, Medical Plan Snapshot). She indicated that the PPO plan has the largest participation. **Ms. Pike** highlighted the services available on the BCI portal and encouraged the CECC members to access that resource.

Ms. Pike advised that in 2010, when the Affordable Care Act (ACA) was enacted, outcomes of the ACA were still unknown. She explained that existing health plans could implement all of the provisions of the ACA, or they could apply for grandfathered status (Jennifer Pike, Employee Group Health Insurance Program Structure, page 11). She explained that, under a grandfathered medical plan, the State accepted certain limitations on cost-sharing that can be passed on to employees; this allowed the State an exemption from having to implement all of the required elements of the ACA.

Ms. Pike stated that mandatory changes that have been made to the ACA have narrowed the differences between grandfathered and non-grandfathered plans. She related that implementing the mandatory changes have increased health costs of the plan. She asserted that, if a policy decision were to be made to move away from the grandfathered status, the State would have to implement all provisions of the ACA as currently written.

Ms. Pike reviewed the monthly payroll system medical and dental rates for FY 2018 (Jennifer Pike, FY2018 Monthly Payroll System Medical and Dental Rates). She also discussed the group retiree medical plan, pointing out that eligibility for the group retiree medical plan is directed by Idaho Code § 67-5761.

Ms. Pike presented information on FY 2018 demographics (Jennifer Pike, Employee Group Health Insurance Program Structure, page 15) showing the average ages of active employees and retirees by gender, spouses, and children who are enrolled in the plan. She described how the demographics are changing.

Ms. Pike reported that during the 2017 Legislative Session, SCR 104 tasked the DOA to explore the use of a transparency tool for State employees, or to work with a vendor to establish a medical diversion program to assist in reducing medical costs for consumers. She advised that BCI has such a tool on the member portal, but people were not using it. The DOA, in conjunction with BCI, made a multi-touch outreach effort to employees about the availability of that tool. She reported that during the second half of 2017 there was a 100 percent increase in searches using the tool (Jennifer Pike, Employee Group Health Insurance Program Structure, page 16).

According to Ms. Pike, the OGI Advisory Committee has worked to seek out innovations and modernizations to promote engagement and choice for the participants. **Ms. Pike** identified areas the OGI Advisory Committee is investigating to include a prescription mail order option and telemedicine services for FY 2019 contracts (Jennifer Pike, Employee Group Health Insurance Program Structure, page 17). She listed the following as benefits of the mail order pharmacy option:

- Ensures that medications are filled on time and encourages adherence to medication regimens
- Allows members to receive a 90-day supply of medication
- Carries a potential for cost savings for plans as well as for members

Ms. Pike stated that telemedicine allows members to connect with board-certified doctors and practitioners online using a phone, computer, or mobile device. This service provides the following benefits:

- Allows members a choice when considering how and when they receive care
- May reduce costs to participants with lower co-pays for televisits
- May reduce billed costs to the plan

Ms. Pike detailed the funding for Idaho's health benefit plan. She explained that the model offers limited liability with full control of plan design, accessibility to funds, cash, and no trust expense. She advised that the model operates with a monthly reconciliation process which ensures the carrier never holds more funds than needed to pay claims and expenses. **Ms. Pike** reported that actuarial cost projections are received by OGI in May and November to allow the State time to process the information before budget development and setting. She noted that the State maintains a contingency reserve to avoid risk charges. She described the methodology used for the projections and shared the projected medical and dental plan costs for FY 2018 and 2019 (Jennifer Pike, Employee Group Health Insurance Program Structure, page 17-20).

Ms. Pike outlined the use of the contingency reserve maintained by the State. She pointed out that the reserve is set at 10 percent of annualized premiums, and the State's total liability is 110 percent of annualized premiums. **Ms. Pike** added that any premiums collected that are not used to pay claims and expenses are deposited in a group insurance reserve maintained by the OGI. She provided a graph showing beginning reserves from FY 2015 and continuing through projections for FY 2021 (Jennifer Pike, Employee Group Health Insurance Program Structure, page 21-22). **Ms. Pike** stated that the FY 2019 projection of approximately \$98 million is well above the approximately \$30 million needed to meet the State's contractual obligations.

Ms. Pike set forth the Governor's recommendation to moderate the appropriation needed to fund the plan for the coming two fiscal years, including:

- Return \$13.14 million to the General Fund
- Provide two months of premium holidays with excess reserve funds
- Maintain a 10 percent contingency reserve
- Maintain current co-pays and covered services

She observed that the lower appropriation does not represent a savings in plan costs, but is a one-time shift of some costs into the reserve. **Ms. Pike** compared the FY 2018 and the projected FY 2019 medical and dental appropriations, and she explained how the State's share of the cost would be funded.

Ms. Pike referred the CECC members to the OGI website, where information regarding appropriations can be accessed. She identified the OGI Advisory Committee members and thanked them for their assistance.

Co-Chairman Patrick mentioned that there is an advisory committee for day-to-day operations. He pointed out that a committee has worked for two years investigating ways to provide less expensive insurance for both employees and the State. **Co-Chairman Patrick** indicated that a report from that committee will be presented next.

DISCUSSION:

Senator Thayn asked what the total amount would be for the two-month premium holiday. **Ms. Pike** replied that the holiday will draw down the reserve to about \$15 million. **Senator Thayn** inquired if there are other factors in addition to those mentioned. **Ms. Pike** answered that there have been dramatic shifts in in-patient services versus out-patient services, due to increased efficiency resulting from new medical technology.

Senator Guthrie inquired as to the reasons for the PPO being the most popular plan. In view of this fact, he wondered if any consideration had been given to using the PPO only. **Ms. Pike** related that there has been a lot of discussion regarding the use of three plans. She gave reasons for some choosing the traditional or the high-deductible plans, and stated that she was not aware of any reason to delete any of the options.

Senator Souza queried if any expansion is being considered, such as more choices or more carriers. She suggested a Health Savings Account (HSA) and asked why Idaho does not have one. **Ms. Pike** replied that, after a discussion and some research about an HSA last year, it was learned that changing the current high-deductible plan to an HSA-compatible plan would eliminate the grandfathered status under the ACA. **Senator Souza** voiced her belief that the use of the combination of a high-deductible plan and an HSA would promote wellness. The funds could be used for a gym membership, vitamin supplements, or other ways to maintain good health and reduce doctor and hospital visits. **Ms. Pike** affirmed that the conversation regarding this approach is ongoing.

Representative Redman asked if there is a fee for grandfathered status. **Ms. Pike** responded that there is a fee under the ACA because Idaho has a fully-insured plan. **Representative Redman** requested information regarding transparency. **Ms. Pike** replied that the OGI is aware of incentivized cost diversion. She replied that they may evaluate the use of incentivizing in the future.

Representative Harris inquired what consideration had been given to returning the \$63 million to the General Fund. **Ms. Pike** explained that not all of the funds were collected from the General Fund. Some were dedicated funds and some were federal funds and could not be put into the General Fund.

Co-Chairman Anderson identified cost advisor tools, case management, and telemedicine and asked how those individual benefits are funded. **Ms. Pike** indicated that most are included in the plan. She specified that the disease management program is the only program that has an additional cost. **Representative Anderson** requested the amount Idaho pays extra for that program. **Ms. Pike** advised that she would provide those figures to him.

Representative Chew inquired if there is a creative way to provide more services for less cost. **Ms. Pike** emphasized that OGI and its partners are continually searching for additional benefits for employees. She reiterated the need for employees to avail themselves of the programs already available. **Ms. Pike** specified the mail order pharmacy and the telemedicine as beneficial additions to the program.

PRESENTATION: Report from the Co-Chairmen of the State Employee Group Insurance and Benefits Interim Committee (Committee). **Senator Lakey** advised that a copy of the final report had been provided to each of the CECC members (Report from the Co-Chairs of the State Employee Group Insurance and Benefits Interim Committee (SEGI)). He pointed out that the Committee met seven times during the interim and detailed the work completed at each meeting. The Committee put out a Request for Proposal (RFP) to hire an expert to evaluate different options. Mercer, a national firm with expertise and familiarity with available options was hired. The Committee reviewed the results of Mercer's research (Report from the Co-Chairs of the State Employee Group Insurance and Benefits Interim Committee (SEGI)) page 2-5). He reported that the Committee established the following goals and objectives as a basis for the evaluation of various options:

- Keeping the benefits package competitive
- Providing a package that would retain employees
- Making the package sustainable and cost effective

Senator Lakey explained that the directive given to Mercer was to develop a list of traditional and innovative options for the State to consider for its benefits program, and to provide an implementation timeframe for moving forward. He acknowledged that they received input from the OGI, the current provider, the Idaho State Department of Health and Welfare (DHW), and the Idaho Department of Insurance (DOI). Mercer's recommendations were:

1. Self-fund State employee health benefits
2. Exempt itself from Idaho Code, Chapter 40, Title 41
3. Consider 23 different cost-saving programs
4. Replace its current three health benefit plans for employees (Report from the Co-Chairs of the State Employee Group Insurance and Benefits Interim Committee (SEGI)), pages 3-4)

Senator Lakey announced the recommendations of the Committee as follows:

1. The DOA publish a RFP for selection of administrators for health benefit plans
2. The Legislature reauthorize the Committee to meet in 2018 to work with the consultant in acting upon these recommendations
3. The Legislature authorize the extension of the Mercer contract for 2018, contingent upon successful negotiations
4. The Committee review the results and award of the RFP, and make a funding recommendation to the Joint Finance-Appropriations Committee (JFAC) and the Idaho Legislature

Details of these recommendations can be reviewed in Report from the Co-Chairs of the State Employee Group Insurance and Benefits Interim Committee (SEGI), pages 4-5.

Representative Wood referred to the report and encouraged the CECC members to read it thoroughly. He stated that he would answer questions.

DISCUSSION:

Senator Martin inquired what the next step should be regarding the recommendations. **Representative Wood** quoted the Committee recommendations and the Mercer Recommendations (Report from the Co-Chairs of the State Employee Group Insurance and Benefits Interim Committee (SEGI), pages 4-5). He stated the next step would be to continue the Committee, contract with Mercer for a second year, and develop and release the RFP.

Senator Guthrie reiterated that the State has plans that are not working. He suggested that the \$60 million that could be used for premium savings could alternately be used in establishing an HSA for employees. **Representative Wood** agreed with Senator Guthrie's assessment, and indicated that with that approach the State could go immediately into self-funding. He pointed out that with the high deductible, there should be an HSA. **Representative Wood** explained that the decision to move forward was not made immediately because the Committee wanted to have the RFP responses for comparison, and then present that to the CECC and the OGI to make the final decision. **Co-Chairman Anderson** inquired if the RFPs had been released. **Senator Lakey** responded that the DOA distributes the RFP, and it is expected that they will be released next fall.

Senator Potts asked if the information had been provided to Ms. Pike. **Senator Lakey** replied that Ms. Pike was present at the meetings and has received the information.

Senator Burgoyne inquired if the reserves mentioned belong to the State employees and to the State of Idaho who provided premiums; he asked if there should be some equitable consideration regarding the use of those reserves. **Senator Lakey** stated that the Committee did not examine ways to allocate the reserves. He agreed that the reserves were a result of contributions of the State and its employees, and they would have an interest in how the reserves will be used. He emphasized that the funds will be used toward the health benefit system. **Senator Burgoyne** commented that it had been suggested the funds be used to start particular programs that would be used by some employees, but that would not be appropriate for others. He stated that he was concerned about those employees who have paid into the system, but who would not be using the program funded by the reserve funds. **Co-Chairman Patrick** pointed out that the re-distribution of money would be a JFAC issue.

Co-Chairman Patrick referred to Senator Potts' previous question, stating that Ms. Pike attended all meetings and did have all of the information. **Senator Potts** explained that he was asking if she had any feedback on the recommendations. **Ms. Pike** affirmed that this was a collaborative process and OGI appreciates the counsel of the Committee. **Senator Potts** asked Ms. Pike if there were any recommendations that she would not want to move forward. **Ms. Pike** replied that not all of the information has been vetted. She pointed out that the purpose of the RFP is to glean information that will help in making the final decisions, and that OGI appreciates exploring all of the options.

PRESENTATION: Public Employee Retirement System of Idaho (PERSI). **Don Drum**, Executive Director, PERSI, advised the CECC that PERSI is governed by Idaho Code providing oversight of the retirement system (Public Employee Retirement System of Idaho (PERSI), page 3). **Director Drum** explained that PERSI is funded by employer and employee contributions and investment earnings. He emphasized that if PERSI makes a 7 percent market return, it breaks even and the funded status remains the same. Historically, PERSI has averaged over an 8 percent return.

Director Drum shared growth data from three areas of membership (Public Employee Retirement System of Idaho (PERSI), page 5):

- Employers
- Active Employees
- Retirees

Director Drum summarized that there have been approximately 82 employers who have joined the system, and he explained that employers who are a State agency or a school district are required to be in the system. Any other governmental entity can ask to join the system. He noted, with regard to active employees, that growth has been shown and is partially related to the growth of employers.

Director Drum delineated the respective amounts and percent of contribution for each of the three sources of revenue for FY 2017 (Public Employee Retirement System of Idaho (PERSI), page 6):

- Employer Contributions: 16 percent, \$367,766,975
- Employee Contributions: 10 percent, \$237,667,445
- Investment Earnings: 74 percent, \$1,746,567,790

Director Drum related that there has been a 54 percent increase in the number of retirees and a payroll increase of 59 percent since 2010 (Public Employee Retirement System of Idaho (PERSI), page 7). **Director Drum** attributed the growth to the "baby boomers" reaching retirement age. He predicted that the number of retirees and the payroll would increase for the next 10 to 15 years. The payroll will grow due the maturation of the system.

Referring to the Contributions History Chart (Public Employee Retirement System of Idaho (PERSI), page 8), **Director Drum** noted that the contribution amounts of both employer and employee have increased since 2010. He explained that this growth can be attributed to the growth of active employees and a 1.5 percent overall contribution rate increase.

Director Drum continued to outline PERSI actuarial valuations since 2010 detailing the growth of assets, fiscal year-end history, and the unfunded accrued liability, including the estimated amount for the fiscal year as of the end 2017 (Public Employee Retirement System of Idaho (PERSI), pages 9-11). He announced that since July 1, 2016, through close of business on January 12, 2018, PERSI's asset values have increased \$3 billion.

Director Drum emphasized that Idaho Code § 59-1322(5) relating to PERSI contributions is the cornerstone for sustainability. He explained that under the referenced code, the PERSI Board cannot change contribution rates, but can only propose rate increases to the Legislature based on valuation and the state of the economy (Public Employee Retirement System of Idaho (PERSI), page 14). The PERSI Board evaluates the system's status in October to determine if a change in contribution is necessary. **Director Drum** affirmed that, if a change is necessary, the PERSI Board recommends the change to the Legislature who then makes the final determination. He reported that Idaho's PERSI is one of the most stable retirement systems in the United States, pointing out that the current contribution rate is lower than it was in 1996 (Public Employee Retirement System of Idaho (PERSI), pages 12-14).

Director Drum reviewed the Cost-of-Living Adjustment (COLA). He commented that it is based on the Consumer Price Index for Urban Workers (CPI-U). **Director Drum** advised if the August-to-August CPI-U is 1 percent or greater, Idaho Code § 59-1355 requires that retirees will get a 1 percent mandatory COLA. The Code allows the PERSI Board the discretion to give the full CPI-U, provided it does not exceed 6 percent. He explained the process followed in order to get a discretionary COLA instituted. **Director Drum** shared a chart showing the COLA history and described the use of retroactive COLA (Public Employee Retirement System of Idaho (PERSI), pages 15-17).

Co-Chairman Anderson inquired if the 7 percent net return required for PERSI to break even would be affected if a retroactive COLA were given. **Director Drum** replied that the return is not affected by the COLA, but the amortization period and the funded statuses are or can be affected by the COLA.

RECESS:

Co-Chairman Patrick called a ten minute recess.

RECONVENED:

Co-Chairman Patrick reconvened the meeting at 3:58 p.m.

TESTIMONY:

Ken Roberts, Chairman, Idaho State Tax Commission (ITC), testified in support of Governor Otter's recommended 3 percent Change in Compensation (CEC) increase. He explained the difference between one-time and ongoing salary savings. He discussed how the ITC used the 3 percent CEC increase (Written Testimony, Ken Roberts, Page 2). **Mr. Roberts** detailed ongoing challenges as follows (Written Testimony, Ken Roberts, Page 3):

- Personnel budget shortfall
- One-source funding
- Recruitment
- Retention
- Recognizing and rewarding employees
- Training ground for other employers
- Group positions
- Employee morale

Mr. Roberts shared charts detailing these challenges (Written Testimony, Ken Roberts, Page 10-11). He also described the effects of the salary structure adjustment (Written Testimony, Ken Roberts, Page 10).

Co-Chairman Anderson inquired how temporary workers are salaried. **Mr. Roberts** replied that temporary employees are not benefitted employees and are paid on an hourly basis. He noted that group temporaries are not benefitted and are part-time, but they do receive the CEC increase. **Co-Chairman Anderson** asked if that was presented to JFAC as a line item. **Mr. Roberts** replied that it has not been handled that way, but that they will begin doing so.

A discussion ensued among Co-Chairman Anderson, Representative Chew, Representative Redman, and ITC Chairman Roberts regarding the improvement of the ITC, with the main focus on employee retention.

TESTIMONY: **Ed Schreiver**, Deputy Director of Operations, Idaho Department of Fish and Game (IDFG), testified in support of Governor Otter's recommended 3 percent CEC increase. He explained how the IDFG has leveraged director discretion to positively impact staff. He discussed attracting and retaining employees, efficiency and effectiveness, salary inequity and raises, pay structure, promotion and lateral transfer, and performance evaluation and merit-based pay. **Mr. Schreiver** expressed appreciation for the CEC commitment which will ensure that the IDFG is in a position to continue to recruit and retain dedicated employees (Written Testimony, Ed Schreiver).

TESTIMONY: **Melinda Smyser**, Director, Idaho Department of Labor (DOL), testified in support of Governor Otter's recommended 3 percent CEC increase. She reviewed the status of the DOL as it relates to the CEC. She detailed the labor market and economy, unemployment, the dedication of the DOL employees, the impact of previous wage increases, motivational incentives for retention, areas needing improvement, and a contingency plan to address these issues.

Ms. Smyser specified the goals of the DOL as increasing training opportunities, improving morale, and implementing health and wellness. She emphasized that the job of the DOL leadership team is to listen to the people and identify their concerns in order to better serve the employees, the taxpayers, and the public (Written Testimony, Melinda Smyser).

TESTIMONY: **Janet Gallimore**, Executive Director, Idaho State Historical Society (ISHS) testified in support of Governor Otter's recommended 3 percent CEC increase in employee compensation and adjustment of the pay-line structure. She explained that the ISHS is a system of cultural and historic resources comprised of the:

- Idaho State Museum
- State Archives and Records Center
- State Historic Preservation
- Historic Sites Program

Ms. Gallimore stated that the mission of the ISHS is to preserve and promote Idaho history. She discussed the tasks of the ISHS, staff positions, compensation, training, recruitment, and retention of employees. She expressed concern about salaries, noting that they are below the salary for equivalent positions in other State agencies. She also noted that the credentials of State Historic Preservation personnel must meet the requirements mandated by federal law under the National Historic Preservation Act. Even though State employees must meet the same requirements as an equivalent GS-9 federal employee and perform the same duties, the salary for the State employee is considerably less than the federal employee. **Ms. Gallimore** voiced her appreciation for the Governor's

recommended compensation increase, declaring that it will help solve costly recruitment and retention challenges (Written Testimony, Janet Gallimore).

Senator Thayne asked, in view of the recent federal tax cut, what increase in take-home pay might Idaho workers expect, and if there will be the same impact for State employees as for the private sector. **Mr. Roberts** replied that the Tax Committee will be briefed regarding these issues. He commented that it varies depending on the circumstances of the individual's taxes. He noted that on the federal level, and depending on income levels and number of exemptions, they may pay slightly more. He clarified that any changes in the current Idaho income tax structure need to be determined by the Legislature this session.

TESTIMONY:

Russ Barron, Director, Idaho Department of Health and Welfare (DHW), testified in support of the Governor's recommended 3 percent CEC increase, and he expressed his appreciation to the CECC, the Legislature, and the Governor for their work with compensation increases. He stated that salary continues to be a significant challenge. **Director Barron** emphasized that it is hard to recognize, reward, and retain dedicated employees, and it affects DHW's ability to efficiently and effectively manage operations. He also advised that recruiting and retention are negatively impacted by Idaho's low salaries. He explained that while Idaho's low unemployment rate is good, it encourages employers in the private sector to offer higher salaries or added incentives to keep their talented workers.

With regard to retention, **Director Barron** related that many employees have two or more outside jobs which results in them looking elsewhere for higher-paying positions. He indicated that the limited salary and loss of quality employees negatively affect the prudent use of government resources and the ability to meet citizens' needs. **Director Barron** also indicated that, of the employees who voluntarily separated from DHW, 43 percent cited pay as either the primary reason or a contributing factor for their decision to leave. He commented that the average pay increase was 39 percent (Written Testimony, Russ Barron). **Director Barron** shared the results of the FY 2017 Separations Report which analyzed DHW turnover in detail, including:

- High-turnover classifications
- Exit interview analysis
- New employer information
- Current DHW demographics (Written Testimony, Russ Barron)

Co-Chairman Anderson advised that in order to retain employees, the CECC could give merit pay, apply a percentage unilaterally, or give a set amount for each employee. He asked Director Barron which approach would best meet the needs of DHW. **Director Barron** replied that the merit pay option is preferable, as it can be associated with performance.

Senator Thayne asked if there was a difference in the number of separations among the various salary ranges. **Director Barron** replied that most challenges involve health care with nurses, doctors, and psychiatrists. Location is also a factor. **Senator Thayne** requested a copy of the 2017 Separations Report (Written Testimony, Russ Barron, FY2017 Separations Report). **Director Barron** confirmed that he would provide the report for CECC.

- TESTIMONY:** **Bobbi-Jo Meuleman**, Director, Idaho Department of Commerce (DOC), testified in support of the Governor's 3 percent CEC increase. She thanked the CECC for the efforts they have made to increase employee compensation and benefits. She noted that the recent salary increases, competitive benefit packages, telecommuting options, and continuing education opportunities have allowed the DOC to hire and retain staff.
- TESTIMONY:** **Anne Lawler**, Executive Director, Idaho State Board of Medicine (SBM), testified in support of the Governor's 3 percent CEC increase. She explained that the SBM is a self-governing agency operating with dedicated funds from licensure fees. SBM has the mission to protect the health and safety of the public. **Director Lawler** noted that the SBM has only 15 employees in three departments, namely licensure, discipline, and pre-litigation. She discussed the loss of staff during the past calendar year, and she indicated that replacing these professionals was challenging due to low compensation. She indicated that the CEC is a helpful tool for both recruitment and retention (Written Testimony, Anne Lawler).
- TESTIMONY:** **Celia Gould**, Director, Idaho Department of Agriculture (DA), testified in support of the Governor's recommendation for a 3 percent increase CEC increase, and thanked the CECC for their support. **Director Gould** advised the CECC that with 209 employees, and approximately 600 during harvest season, the DA has a wide variety of employees working at different levels of responsibility and expertise. She stated that it is difficult to hire highly-qualified specialists due to the lower pay with DA, as opposed to the private sector. She pointed out that after investing time and money in training of employees at this level, they are often hired away to entities with higher compensation, emphasizing that "the DA has become the perfect hunting ground for businesses looking to poach trained employees."
- Director Gould**, with regard to the benefit package, noted that some employees have chosen to stay with DA because of the high-quality benefit package. **Director Gould** observed that the support of the CEC is imperative in recruiting and retaining technical staff (Written Testimony, Celia Gould).
- Co-Chairman Anderson** asked Director Gould if she preferred the 3 percent increase being applied as merit pay, a percentage of current salary, or a dollar amount for all employees. **Director Gould** replied that she would prefer merit which would allow more flexibility. She felt it would be a reward for exceptional employees.
- DISCUSSION:** A discussion ensued among Senators Ward-Engelking and Thayn, Representatives Chew, Redmond, and King, and Director Gould regarding the distribution of the increase, how the previous increase was distributed, and costs over time.
- TESTIMONY:** **Sharon Herrigfeld**, Director, Idaho Department of Juvenile Corrections (DJC), testified in support of the Governor's recommendation for a 3 percent CEC increase, and thanked the CECC for listening to the concerns of the departments and agencies. **Director Herrigfeld** stated that the 413 employees are the DJC's most valuable resource. She pointed out that the CEC is one tool to help the DJC meet its goal in keeping the turnover rate low.

Director Herrigfeld summarized the methods used to apply CEC increases, as well as other funding resources over the past three years. She also shared an overview of initiatives to attract and retain qualified staff. **Director Herrigfeld** advised that the turnover rate has been below the State's classified turnover rate for 18 months. There has been no teacher turnover for 13 months; they continue to recognize and reward hard-working staff, and the DJC is better informed about the needs of the staff, investing in their development, leadership, and success (Written Testimony, Sharon Herrigfeld).

TESTIMONY: **John Tippetts**, Director, Idaho Department of Environmental Quality (DEQ), testified in support of the Governor's recommendation for a 3 percent CEC increase, and he thanked the CECC for the past salary and benefit increases the CECC has approved for State employees. **Director Tippetts** reported that DEQ employees have revealed the increases have helped them keep up with escalating costs, and to feel they are valued.

In referring to PERSI, **Director Tippetts** stated that PERSI plays a significant role in helping retain qualified workers, and he feels that the current defined benefit retirement plan is an important part of the benefit package (Written Testimony, John Tippetts). **Representative King** inquired if the State's vacation and sick leave time is competitive with the private sector. **Director Tippetts** said he believes the leave time is competitive, and it is better to give pay increases.

TESTIMONY: **Gary Spackman**, Director, Idaho Department of Water Resources (DWR), submitted written testimony in favor of the Governor's 3 percent CEC increase (Written Testimony, Gary Spackman). **Co-Chairman Anderson** asked Director Spackman to state his desire. **Director Spackman** replied he would be happy to discuss State compensation in detail with CECC members if they wish. He felt the flexibility given directors is limited, and the directors are constrained by the State's system from distributing money to people who truly deserve the compensation. He noted that there is a need for a better assessment of employees' worth to the agency and worth to the State.

TESTIMONY: **Bob Geddes**, Director, Idaho Department of Administration (DOA), testified in support of the Governor's 3 percent CEC increase. He described the instances of State employees providing assistance in different circumstances, and he indicated that many have worked hard and have been considerate in dealing with Idaho citizens. **Director Geddes** commented that it is a priority to keep up with salary and benefits. He wondered if the State is doing enough to keep up. He noted that it is important to allow managers to have the flexibility to evaluate their employees. He affirmed that merit is the best basis for managing human resources and pay.

Co-Chairman Patrick requested that prior to the next meeting, the CECC members read Idaho Code § 67-5309A which delineates the obligation of the CECC. He referred to a packet of 47 written testimonies which are attached (Written Testimony from the Public (47)).

ADJOURNED: There being no further business at this time, **Co-Chairman Patrick** adjourned the meeting at 6:00 p.m.

Co-Chairman Jim Patrick

Linda Kambeitz, Secretary

Co-Chairman Neil Anderson

Carol Cornwall, Assistant Secretary