

MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Tuesday, February 25, 2020

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Holtzclaw, Vice Chairman Anderson, Representatives Harris, Kingsley, Syme, Christensen, Giddings, Wisniewski, Remington, Chew, Abernathy, Ellis

**ABSENT/
EXCUSED:** None

GUESTS: Mike Hampton, PERSI; Conie Bund, PERSI; Keith Lee; Jeremy Chou; Sean Schupask, Idaho AGC; Françoise Cleveland, AARP-Idaho; Andy Erstad, AIA-Idaho

Chairman Holtzclaw called the meeting to order at 1:30 p.m.

SJM 107: **Senator Marshall** stated **SJM 107** recognizes special trading relationship with Taiwan.

MOTION: **Rep. Anderson** made a motion to send **SJM 107** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Marshall** will sponsor the bill on the floor.

H 529: **Rep. Ellis** explained the purpose of **H 529** is to ensure architects, engineers, and contractors called upon to volunteer during a declared emergency are able to do so with limited liability for their volunteer services.

Andy Ernsted, AIA, AGC, BCA; spoke in support of **H 529**. Mr. Erstead clarified the parameters in which this legislation would be used.

MOTION: **Rep. Abernathy** made a motion to send **H 529** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Ellis** will sponsor the bill on the floor.

Director Don Drum, PERSI, presented the PERSI FY 2020 Cost of Living Allowances History. He explained, during the 1990's, the legislature and PERSI leadership developed guidelines regarding COLAs along with protecting retirees' purchasing power. This resulted in the PERSI Board being instructed to safeguard the purchasing power of retirees while protecting the fund. Guidelines recognize that the Board must have flexibility to maintain a well-funded system and to provide the benefits outlined in Idaho Statute Title 59 Chapter 13. Guidelines rank the goals of the Board in order of importance: 1) maintain a well-funded status, 2) maintain stable contribution rates, 3) maintain purchasing power of retiree benefits, 4) If all above conditions are met, consider reducing contribution rates. Each employer shall contribute to the cost of the system. The amount of the employer contributions shall consist of the sum of a percentage of the salaries of members to be known as the 'normal cost' and a percentage of salaries to be known as the 'amortization payment'. The rates of such contributions shall be determined by the Board on the basis of assets and liabilities as shown by actuarial valuation, and shall remain effective until next determined by the board. The minimum amortization payment rate shall be that percentage, calculated as of the valuation date, of the then actuarial present value of the projected salaries from the effective date to the end date which is equivalent to the excess of the unfunded actuarial liability over the scheduled amortization amount. According to Idaho Code, the Board must act if the amortization period for the Fund's unfunded actuarial liability exceeds 25 years. Idaho Statute Post Retirement Adjustments provides for cost-of-living adjustments to retirement benefits based on consumer price index for urban workers for the 12

months ending August of the current year. The intention is to keep retirement payments equal with inflation and maintain 100% purchasing power. At the end of fiscal year 2019, the fund was funded at 92.2% with a 10.6 year amortization period. At close of business November 20, 2019 the funded status had improved to 94%. The 0.7 discretionary COLA has a cost of \$73.2 million and raises the amortization period to 11.3 years. The retroactive COLAs for 2011, 2012, 2013 and 2018 have a total cost of \$301.2 million. The estimated amortization period for granting all the COLAs is 14.2 years. The fund is currently at a 4.03% return for fiscal year 2020. The fund can drop to a 1% return and still maintain an amortization period below 25 years. If the amortization reaches or exceeds 25 years at any point, statutory requirements (59-1322(3)) and historical practice has allowed for a 20 month or more delay before rates are implemented by PERSI. The market has the ability and time to correct. Considerations impacting fund include: fund return, internal confidence level (based upon current market conditions), projected amortization period at 7/1/2020 after payment of mandatory COLA only, projected amortization period at 7/1/2020 after payment of full COLA and ROPP, current assumption, tipping point with mandatory COLA. COLAS are expensive and getting more expensive every year. With rising costs of COLAs, the PERSI Board is reevaluating how COLAs will be handled moving forward. The Board is currently updating the PERSI funding guidelines with the same goals in mind regarding COLA: maintain a well-funded status; maintain stable contribution rates; and, maintain purchasing power of retiree benefits.

Mr. Cilek, Chairman of the PERSI Board, explained parameters for a well funded program include an amortization below 25 years and 90% funded. He then explained a well qualified program has amortization of less than 25 years and over 90% funded. He indicated the PERSI fund is a well funded program with stable rates. In response to committee questions, Mr. Cilek explained fund requirements are determined by PERSI and an internal committee. Recommendations are offered as guidelines, not statute.

Rep. Harris asked what effect a 1000 point or 2% drop in the Dow would have on the funding rate. **Mr. Cilek** responded that he would need to get back with an answer. **Director Drum** remarked that the process of the Board is to look at the most recent valuation. He then remarked that things are good now. If we can't do this now then when can it be done?"

During discussion committee members voiced concern about the PERSI sick leave fund. **Mr. Cilek and Director Drum** indicated the sick leave fund, which is managed by PERSI, is made up of multiple trust funds including the stratified fund which includes contributions for state employees and the school fund which includes contributions for school employees. The fund is currently over-funded. Committee members asked procedural question related to requirements to inform and how to use the additional money. Director Drum explained the PERSI Board can't take money out of the fund. The legislature must pass legislation to take money from the trust. Mr. Cilek and Director Drum agreed to return before the committee next week to answer committee questions related to the sick leave fund.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 3:38 p.m.

Representative Holtzclaw
Chair

Karen Westen
Secretary