

MINUTES
SENATE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Thursday, January 12, 2023

TIME: 1:30 P.M.

PLACE: Room WW54

MEMBERS PRESENT: Chairman Cook, Vice Chairman Lenney, Senators Lakey, Guthrie, Ricks, Foreman, Hartgen, Ward-Engelking, and Ruchti

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 Cook** called the Senate Commerce and Human Resources Committee (Committee) to order at 1:30 p.m.

WELCOME: **Chairman Cook** welcomed everyone to the first meeting. **Chairman Cook** introduced himself and asked all Committee members and the Committee secretary to introduce themselves.

Chairman Cook introduced Senate Page Kamille Mirkin and asked her to tell the Committee about herself. **Ms. Mirkin** stated she attended Jerome High School where she was active in the Future Farmer's of America (FFA). She noted she was an honors student and was involved in several different organizations, such as Peer Court, 4-H, and student government. She remarked she planned on attending the University of Idaho with a major in agriculture communications and leadership, with the goal of attending law school. She said she was grateful for the opportunity to be a Senate Page.

Chairman Cook introduced Senate Page Clayton Moore and asked him to tell the Committee about himself. **Mr. Moore** remarked he was a senior at Weiser High School. He liked traveling throughout the western states. He stated he was also active in 4-H and FFA. He noted he liked government and was grateful for the opportunity to become a Senate Page.

DISCUSSION: **Committee Consideration of Referral of Docket No. 24-0000-2201F to the Senate Health and Welfare Committee.** **Chairman Cook** indicated this Docket was combined with the Idaho Division of Professional and Occupational Licenses (IDOPL) rules but belonged to the Senate Health and Welfare Committee. He asked for a motion to send this Docket to the Senate Health and Welfare Committee.

MOTION: **Senator Lakey** moved to send **Docket No. 24-0000-2201F** to the Senate Health and Welfare Committee. **Senator Guthrie** seconded the motion. The motion carried by **voice vote**.

RULES REVIEW: **Assignment of the Administrative Rules.** **Vice Chair Lenney** referred to the upcoming rules and asked all Committee members to stop by his office for rules assignments.

PRESENTATION: **Idaho Department of Finance (IDOF). Anthony Polidori**, Deputy Director, IDOF, gave a brief presentation about the IDOF. He outlined the mission, vision, and rules of the IDOF.

Salvador Cruz, Financial Institutions Bureau (FIB) Chief, IDOF, reported his office was responsible for the oversight of banking and credit union services. He outlined the responsibilities of the FIB that included promoting the safety and soundness of state-chartered commercial banks, savings banks, credit unions, bank holding companies, trust companies, and business and industrial development corporations operating in Idaho. He explained the FIB assessed the conditions of these institutions so the public would have confidence in the financial system and the interests of depositors, creditors, and shareholders were protected.

Erin Van Engelen, Consumer Finance Bureau (CFB) Chief, IDOF, stated the CFB oversaw entities that offered non-depository consumer finance products, to ensure compliance with state and federal laws. She noted the CFB emphasized collaborating with industry to develop best practices in compliance and consumer protection while safeguarding the financial health of Idahoans. **Ms. Van Engelen** explained the four program areas of the CFB, including regulated lenders, collection agencies, mortgage companies, and mortgage loan originators.

Mr. Polidori acknowledged the Securities Bureau, IDOF, regulated the offer or sale of investment securities and those individuals and entities that offered or sold investment opportunities to the public. He commented the objective of the IDOF was to promote the integrity and vitality of state and federal financial markets, protecting the investing public from fraudulent investment schemes, and assisting legitimate businesses in efforts to raise capital in Idaho.

Mr. Polidori pointed out the IDOF was responsible for the licensing and oversight of money transmitters, or money services businesses. He noted those businesses received money for transmission and issued payment instruments to purchasers. Independent escrow companies, as well as those providing 1031 exchange accommodation services, were regulated by the IDOF. He stated the IDOF ensured that endowed care cemeteries properly handled the funds and trust placed with them. Lastly, the IDOF provided consumer education to Idaho citizens on topics related to investment fraud awareness, budgeting, and other investment-related topics. **Mr. Polidori** outlined the policy objectives of the IDOF, including utilizing an electronic system for licensing processes. He remarked a state system of supervision remained the best means to protect consumers.

Celia Kinney, Consumer Affairs Office (CAO), IDOF, stated the key component for the IDOF was education and protection of consumers. She noted a complaint was often solved through a voluntary action. She asserted the CAO responded to consumer complaints, undertook investigations based on complaints, and determined the appropriate resolution.

Patty Perkins, Director, IDOF, remarked relations with consumers were vital to the success of the IDOF.

DISCUSSION: **Senator Guthrie** asked for an explanation of oversight as it related to consumer complaints. **Ms. Perkins** remarked there were different parameters for each part of the business, depending on the complaint. She explained the IDOF worked closely with the Attorney General's office in an effort to avoid legal action, but would rather coach and educate.

PRESENTATION: **Public Employee Retirement System of Idaho (PERSI).** **Don Drum**, Executive Director, PERSI, gave a brief overview of the function of PERSI. He referred to the handout entitled PERSI, 2023 (Attachment 1). He reported that by law, all State agencies and all schools were mandated to be in PERSI, including Charter Schools. Other governmental and quasi-Governmental employers could elect and apply to be in PERSI. He noted all Idaho counties were members of PERSI as well as many of Idaho's cities, along with highway districts, fire districts, and libraries. Presently, there are over 840 employers in PERSI. PERSI helps employers who apply on a governmental level, to be competitive recruiting and retaining staff. More than 53,000 retirees receive PERSI benefits with over \$1 billion distributed in 2022. Monthly benefits averaged \$1,807.

Mr. Drum affirmed the Firefighters Retirement Fund (FRF) Plan closed to new members in 1980. Currently, there were 448 individuals who received benefits. Funding was at 194 percent provided by the fire insurance premium tax.

DISCUSSION: **Chairman Cook** inquired if more FRF Plans were created. **Mr. Drum** responded the FRF was closed in 1980 and as of now all participate in PERSI. There were no other types of retirement funds.

Senator Guthrie, Senator Ruchti, and Mr. Drum discussed the idea of creating a formalized plan for left-over FRF funds since there was not a plan created for the remaining funds when the Judges Retirement Fund (JRF) was created.

Senators Guthrie, Ricks, and Mr. Drum discussed researching some possible options for money left over in these funds, the legal obligations, and the options to merge with other funds.

PRESENTATION: **Mr. Drum** outlined the JRF funding and the Sick Leave funding ratios. He quoted Idaho Code § 59-1322(5) and stated if the fund's amortization period exceeded 25 years, the Retirement Board (Board) must take action. The Board can only adjust contribution rates. Benefits adjustments could only be made by the Idaho Legislature.

Mr. Drum pointed out teachers also had benefits but general members did not. Return-to-work began for educators in 2007 and changed the retirement patterns for school district employees by approximately two years. He remarked educators started careers earlier than general members and on average retired two years earlier than the average general member. Teachers live two years longer. Educators receive more benefit payments on average when retired than the average general member. **Mr. Drum** noted some school district employees worked past the Rule of 90 and that increased the normal cost of the group. To determine the impact of the change, actuarially takes five to ten years. Last year PERSI asked to move teachers into a class of their own with a separate rate.

DISCUSSION: **Senator Ricks** queried if teachers retired on average two years earlier, was the cost to the State more or less? **Mr. Drum** stated there was an increase in cost because teachers were drawing two more years out of the retirement system.

Senator Guthrie and Mr. Drum discussed teacher early retirement, the costs involved, and the costs associated with the return-to-work plan. **Mr. Drum** reported retirees were allowed to come back who retired prior the January 1, 2022, because it was not costing PERSI since they were already retired.

PRESENTATION: **Mr. Drum** specified there were now three classes of PERSI active members, namely, Public Safety, General, and School District Employees. Rates for teachers will change in FY 2023 when the new fairness adjustment takes effect. PERSI waited to implement the adjustment to allow employers to budget and prepare. The PERSI Board wanted to make sure the fairness adjustment was in effect before any other budget adjustments were made.

Mr. Drum detailed the volatility of the stock market and the effect on the PERSI fund. He noted in January the PERSI fund was 100 percent funded with zero years of amortization. By June 30, the funded status had dropped to 82.6 percent and the amortization was over 100 years. By law, the PERSI Board must take action and the only action the Board could take was to propose rate adjustments. At the October Board meeting a proposal was made to raise the rates in three increments.

DISCUSSION: **Senator Ruchti** and **Mr. Drum** discussed the requirement by law relating to amortization and unfunded liabilities and the anticipated rate of return on how long of a period it would take to pay off the unfunded liabilities. **Mr. Drum** stated there was some cushion built in allowing PERSI to adjust the last two proposed rates.

PRESENTATION: **Mr. Drum** acknowledged Idaho Code allowed the Board to evaluate options regarding a discretionary Cost-of-Living Adjustment (COLA) if the Consumer Price Index for All Consumers (CPI)-U was greater than 1 percent and the amortization period for the unfunded liabilities was under 5 years. The discretionary COLA could not be greater than a total of 6 percent (5 percent discretionary and 1 percent mandatory) in any given year. He noted that historically, if the Board proposed rate increases, a discretionary COLA was not offered. The Board received weekly reports showing the estimated amortization and funded status. Based on that information, the Board knew discretionary COLA's would be challenging to fund. They chose to follow past historical practices.

DISCUSSION: **Senator Ricks** and **Mr. Drum** discussed the idea that a 1 percent COLA was mandated by law. Retirees will receive a 1 percent COLA but no discretionary COLA.

A discussion ensued between **Senator Guthrie** and **Mr. Drum** regarding the 100-year amortization and the adjustments in rates that had to be made to cover the costs of the program.

ADJOURNED: There being no further business at this time, **Chairman Cook** adjourned the meeting at 2:51 p.m.

Senator Cook
Chair

Linda Kambeitz
Secretary