

**MINUTES OF THE
RETIREMENT AND INDEPENDENT ENTITIES COMMITTEE**
Monday, September 18, 2006 – 9:00 a.m. – Room W135 House Building

Members Present:

Sen. Beverly Evans, Senate Chair
Rep. Mike Morley, House Chair
Sen. D. Chris Buttars
Sen. Karen Hale
Sen. Carlene Walker
Rep. David Clark
Rep. Neil A. Hansen
Rep. Ann W. Hardy
Rep. Rebecca Lockhart
Rep. Karen W. Morgan
Rep. Merlynn T. Newbold
Rep. LaWanna "Lou" Shurtliff

Members Absent:

Sen. Gene Davis
Rep. Ron Bigelow

Staff Present:

Mr. Benjamin N. Christensen, Policy Analyst
Mr. Dee S Larsen, Associate General Counsel
Ms. Glenda S. Whitney, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Morley called the meeting to order at 9:08 a.m.

MOTION: Rep. Hansen moved to approve the minutes of the July 17, 2006 meeting. The motion passed unanimously. Rep. Clark, Rep. Morgan, and Rep. Shurtliff were absent for the vote.

2. Public Employees Insurance Plans

Mr. Jeff Jensen, Deputy Director, PEHP (Public Employees Health Plan), presented a slide presentation and distributed a handout, "Insurance Plans Offered." He explained what insurance plans are offered to employees and how the plans are managed and funded. He gave a brief history on health care expenditures for state employees and how health care costs are managed. He reviewed PEHP's recommendations for changes for the fiscal 2008 plan.

Mr. Linn J. Baker, Director, PEHP, presented a slide presentation and distributed a handout, "Portrait of a Dysfunctional Market." He discussed the competition vs. regulation on the health care industry regarding health care cost issues. He responded to recent changes made by the Legislature and discussed the primary challenges of managing costs and providing coverage. He reviewed proposed market reform legislative initiatives and responded to questions from the Committee.

3. Health Care Cost and Quality Data (Draft Legislation)

Sen. Evans took over the chair.

Rep. Morley asked Mr. Baker to assist with his presentation. He presented draft legislation, "Health Care Cost and Quality Data" that was distributed in the mailing packet. He explained that the bill would authorize the Health Data Committee to collect costs of episodes of health care and authorize the Department of Health to develop a plan to measure and compare costs of episodes of care. Rep. Morley

noted that this legislation was introduced during the 2006 General Session, H.B. 246 "Health Care Cost and Quality Data" but did not pass.

Mr. Baker responded to Committee questions.

Ms. Michelle McOmber, Utah Medical Association, spoke to the bill and was in support of transparency.

MOTION: Rep. Morley moved to adopt draft legislation "Health Care Cost and Quality Data" as a committee bill. The motion passed unanimously. Rep. Clark was absent for the vote.

4. Defined Benefit vs. Defined Contribution Retirement Systems for Public Employees

Rep. Morley took over the chair.

Mr. Christensen and Mr. Larsen presented a slide presentation and distributed a handout, "Defined Benefit vs. Defined Contribution Retirement System Comparison." They presented an overview from the handout and noted that the DB (defined benefit) plans provide a monthly allowance through retirement years while DC (defined contribution) plans provide a 401 (k) or similar account for employers and employees to make deposits through years of employment. Utah Retirement Systems provides a DB plan and offers a DC plan as a supplement.

Mr. Robert V. Newman, Executive Director, Utah State Retirement Systems, distributed and reviewed the handout, "Defined Benefit and Defined Contribution Questions." He discussed why some public pension plans are considering or moving from DB plans to DC plans.

Mr. Larsen continued with the slide presentation and addressed the legal issues regarding DB vs. DC retirement systems. He reviewed what issues should be explored when making changes to the DB and DC plans.

Mr. Jeff Herring, Executive Director, Department of Human Resource Management, referred to staff's slide presentation and presented an overview on "Defined Benefit vs. Defined Contribution." He reviewed the key policy questions regarding developing a DC plan. He responded to Committee questions.

Mr. Christensen referred the Committee to a handout that was distributed, "State Retirement Systems' Defined Contribution Plans" from Mr. Ronald Snell, National Conference of State Legislatures, Denver, Colorado.

Lunch Break - Chair Morley recessed the Committee at 12:09 p.m. and reconvened at 12:50 p.m. Lunch was provided for committee members and committee staff.

5. Progress Report on Public and Higher Education Post Retirement Health Insurance Costs

Chair Morley referred to the reports in the mailing packet and noted that the audits of Public Education Retirement Benefits and Higher Education's Post-Retirement Benefits were conducted by the Legislative

Auditor General. The audits recommended actuarial studies and the development of plans to fund post-retirement obligations and to report these plans to the Legislature.

The following reported on the status of implementing the audits' recommendations.

Mr. Arnie Combe, and Ms. Joan Gines, University of Utah, distributed and reviewed the report, "University of Utah Post-employment Benefits."

Mr. Richard Kendall, Commissioner of Higher Education, distributed and reviewed the handout "Memorandum, Utah System of Higher Education - Update on Post-Retirement Obligations" and noted a final report will be available in January.

Mr. Patrick Ogden, State Office of Education; Mr. Tom Upton, State Office of Education; and Mr. Troy Pritchett, Consulting Actuary, Milliman Consultants and Actuaries; distributed the report "State Office of Education Study of GASB 45 and 47 Liabilities of Utah School Districts as of July 1, 2006" and "Estimated Valuation of Termination Benefits to Determine Total Liability." Mr. Pritchett reviewed the report and Mr. Upton and Mr. Ogden responded to Committee questions.

MOTION: Sen. Evans moved to have school districts provide their plans to address GASB 45 and 47 liabilities for post-retirement health benefits by December 28, 2006.

SUBSTITUTE MOTION: Rep. Hardy moved that each school district provide a one page summary of its plan to address GASB 45 and 47 liabilities for post-retirement health benefits for the November meeting. The motion passed unanimously with Sen. Buttars and Rep. Lockhart absent for the vote.

6. Workers Compensation Fund Board Compensation and Terms of Office

Mr. Larsen provided background information on this issue. He reviewed the handouts in the mailing packet "Selected Entities' Per Diem Compensation for Attendance at Meetings" and "Proposed Workers' Compensation Fund Per Diem Compensation Compared to Compensation of Mutual Insurance Companies' Boards of Directors."

Mr. Lane Summerhays, President and CEO; Mr. Dennis Lloyd, and Mr. Paul Rogers, WCF (Workers Compensation Fund), made the presentation. Mr. Summerhays presented an overview on this issue and explained that WCF asked to be exempted from Division of Finance provisions on compensation of board members and to change certain provisions of board member terms of office. He distributed a copy of the proposed recommendations, "31A-33-106 Board of directors - Status of the fund in relationship to the state."

MOTION: Sen. Evans moved if a bill is prepared, to place this issue on the agenda for the next meeting. The motion passed unanimously with Sen. Buttars and Rep. Lockhart absent for the vote.

7. Restrictions on Post-Retirement Employment (Draft Legislation)

Mr. Christensen distributed and reviewed the handout, "Restrictions on Post-Retirement Employment - Briefing."

Rep. Glenn A. Donnelson presented draft legislation, "Post Retirement Employment" that was distributed in the mailing packet. He explained that the bill would modify the Utah State Retirement and Insurance Benefit Act by amending reemployment restrictions for certain retirees.

Mr. Herring spoke to the bill and was in support of flexibility.

MOTION: Sen. Evans moved to place the audit on the agenda for the next meeting. The motion passed unanimously with Sen. Buttars, Rep. Hardy, Rep. Lockhart, and Rep. Shurtliff absent for the vote.

8. Two Percent Retirement Multiplier (Draft Legislation)

Mr. Larsen distributed and reviewed the handout, "Two Percent Retirement Multiplier - Briefing."

Rep. LaWanna "Lou" Shurtliff presented draft legislation, "Additional State Retirement Benefit" that was distributed in the mailing packet. She explained that the bill would modify the Utah State Retirement and Insurance Benefit Act by authorizing an additional retirement benefit for certain retirees. She distributed additional handouts "H.B. 58 Inequities in the State Retirement System," "Testimony for H.B. 58 - 1060 Legislature," and "Fiscal Note H.B. 58."

MOTION: Rep. Hansen moved to adopt draft legislation, "Additional State Retirement Benefit" as a committee bill.

SUBSTITUTE MOTION: Rep. Clark moved to pass draft legislation, "Additional State Retirement Benefit" out favorably without being a committee bill. The motion failed with Sen. Buttars and Rep. Lockhart absent for the vote. Sen. Evans, Sen. Hale, Rep. Hansen, Rep. Morgan, and Rep. Shurtliff voted in opposition.

The Committee returned to vote on Rep. Hansen's original motion. The original motion failed with Sen. Buttars and Rep. Lockhart absent for the vote. Sen. Evans, Rep. Morley, Rep. Clark, Rep. Hardy, and Rep. Newbold voted in opposition.

9. Public Safety Retirement System COLA

Mr. Christensen distributed and reviewed the handout, "Public Safety Retirement System COLA - Briefing."

Mr. Kelly C. Atkinson, Fraternal Order of Police, indicated it is working on draft legislation to address this issue that will be ready for the General Session.

10. Post-Retirement Benefits Trust Fund (Draft Legislation)

Rep. Clark presented draft legislation, "Post-Retirement Benefits Trust Fund" that was distributed in the mailing packet. He explained that the bill would establish a trust fund to accumulate monies to pay post-retirement benefits.

MOTION: Sen. Evan moved to adopt draft legislation, "Post-Retirement Benefits Trust Fund" as a committee bill. The motion passed unanimously with Sen. Buttars, Rep. Hansen, Rep. Hardy, Rep. Lockhart, and Rep. Shurtliff absent for the vote.

11. Retirement in Place for Certain Firefighters

Mr. Marty Peterson, Professional Firefighters of Utah, distributed and reviewed the handout, "Simplified Explanation Firefighter Problem and Partial Solution." He noted it is their intent to find a sponsor and introduce legislation for the next General Session.

12. Retirement Office Amendments (Draft Legislation)

Rep. Clark presented draft legislation, "Retirement Office Amendments" that was distributed in the mailing packet. He explained that the bill would modify the Utah State Retirement and Insurance Benefit Act by amending definitions, and making certain technical and administrative amendments.

Mr. Dan Anderson, Utah State Retirement Systems, reviewed the explained the amendments to the bill.

MOTION: Sen. Evans moved to adopt draft legislation, "Retirement Office Amendments" as a committee bill. The motion passed unanimously with Sen. Buttars, Rep. Hansen, Rep. Hardy, Rep. Lockhart, and Rep. Shurtliff absent for the vote.

13. Other Committee Business

Rep. Morgan asked that the Committee refer back to agenda item, "Two Percent Retirement Multiplier."

MOTION: Rep. Morgan moved to pass draft legislation "Additional State Retirement Benefit" out favorably. The motion passed with Sen. Evans voting in opposition. Sen. Buttars, Rep. Hansen, Rep. Hardy, Rep. Lockhart, and Rep. Shurtliff were absent for the vote.

Chair Morley indicated that the next committee meeting will be scheduled for Monday, November 13, 2006 from 9:00 a.m. to 12:00 p.m.

14. Adjourn

MOTION: Sen. Hale moved to adjourn the meeting. The motion passed unanimously with Sen. Buttars, Rep. Hansen, Rep. Hardy, Rep. Lockhart, and Rep. Shurtliff absent for the vote.

Chair Morley adjourned the meeting at 3:36 p.m.