

HOUSE FINANCE COMMITTEE
May 12, 2021
9:03 a.m.

9:03:53 AM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Scott Jordan, Director, Division of Risk Management, Department of Administration; Leslie Isaacs, Administrative Services Director, Department of Administration; Alexei Painter, Director, Legislative Finance Division; Representative Jonathan Kreiss-Tompkins, Sponsor; Angela Rodell, Chief Executive Officer, Alaska Permanent Fund Corporation (APFC).

PRESENT VIA TELECONFERENCE

Paloma Harbour, Fiscal Management Practices Analyst, Office of Management and Budget, Office of the Governor; Charles McKee, Self, Anchorage.

SUMMARY

HB 102 STATE INSUR. CATASTROPHE RESERVE ACCT.

HB 102 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1(ADM).

HJR 1 CONST AM: PERMANENT FUND; POMV; EARNINGS

HJR 1 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the agenda for the morning meeting.

#hb102

HOUSE BILL NO. 102

"An Act relating to the state insurance catastrophe reserve account; and providing for an effective date."

[9:05:31 AM](#)

SCOTT JORDAN, DIRECTOR, DIVISION OF RISK MANAGEMENT, DEPARTMENT OF ADMINISTRATION, introduced the PowerPoint presentation: "HB 102." He began with slide 2 titled "Purpose:"

The assets of the Catastrophe Reserve Account (CATFund) may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.

- HB102 will save the state \$3M in the first year and \$25M over the next 5 years (est.)
- The purpose is to allow the State to self-insure for property coverage.
- We currently self-insure for Workers' Comp (since FY1992) and General Liability (since FY 2002)
- Due to global property insurance markets hardening we had a 30% increase in insurance costs from FY20 (\$5.1M) to FY 21 (\$6.6M) and we're being told to expect another 15% to 20% for FY22 (\$7.6M-\$7.9M).

- HB 102 is a request to change the Catastrophe Reserve Account (CATFund) limit from \$5,000,000 to \$50,000,000 unencumbered.
- Currently the limit on catastrophe coverage that can be purchased is \$50,000,000 for an annual premium. We can save that annual premium by self-insuring.

Mr. Jordan informed the committee that HB 102 was introduced as a cost saving measure.

[9:07:37 AM](#)

Mr. Jordan continued to slide 3 titled "What Other States are Doing?":

Through the State Risk and Insurance Management Association (STRIMA) we asked other states what they were doing to combat the rising premiums in property coverages.

Just pay the higher premiums. Some states are forced to maintain excess coverage due to benefits paid by FEMA which requires "Obtain and Maintain" agreements when FEMA pays for a catastrophic loss.

Set up Captive Plans-similar to self-insured plan.

Increase Self-Insured Retentions (SIR), in some states \$40M to \$50M retention.

Some states are coming off multi-year premium price guarantees.

Mr. Jordan elaborated that a captive plan was like the self-insured plan the state was proposing. He explained that in captive plans a separate insurance entity was set-up and the entity managed the assets of the self-insured plan. He did not believe the state needed the captive plan model because of the state's 25 year experience with self-insured plans. He offered that a self-insured retention was essentially a deductible that some states chose to increase. He noted that some states entered into premium

price guarantees with insurers but will face large increases when the guarantee period ends.

[9:10:11 AM](#)

Mr. Jordan advanced to the graph on slide 4 titled " 10-Year History of Property Premiums/Losses." He pointed to the blue graph and explained that the blue line represented what the state paid in property premiums from FY 10 (\$2 million) to FY 20 (\$5.1 million). The department had experienced premiums increases in the past; in FY 11 premiums increased by \$700 thousand. He articulated that the division responded by self-insuring all buildings under \$5 million in value using the CAT fund. The current increase began in FY 18. He directed attention to the other graph in orange that portrayed what the state paid out from appropriations or from the CAT fund for property losses. In FY 15 there was a large spike due to the Crystal Lake Hatchery fire in March 2014 that paid just over \$4 million in losses. In FY 20, the state had two significant losses; one was due to the claims from the November 2018 earthquake in Anchorage and the other was a \$1 million retention paid for the Department of Transportation and Public Facilities (DOT) maintenance shop snow collapse in McGrath.

[9:12:44 AM](#)

Co-Chair Merrick indicated Representative Edgmon, and Representative Johnson had joined the meeting.

Representative Wool observed that in every year but one, the state's premiums were higher than the property losses. He queried what would happen with significant damage from a widespread catastrophic occurrence. He thought the coverage seemed low. Mr. Jordan explained that excess insurance covered two types of losses: fire losses and catastrophic losses. Currently, the state's cap for non-catastrophic losses was \$150 million and the cap for catastrophic losses was \$50 million. His concern was focused on catastrophic losses, which were hard to predict. The Crystal Lake loss was the second highest loss except for the Alaska Aerospace incident in 2014. Presently, the state could only purchase \$50 million in insurance and was why the balance was unencumbered. The savings on premiums from being self-insured left a higher excess balance. Representative Wool asked whether the state was covered under a different pool if the excess balance was expended. Mr. Jordan responded in

the negative. He added that \$50 million was the maximum insurance companies would pay. However, with catastrophic losses the Federal Emergency Management Agency (FEMA) typically covered some losses. He noted that FEMA covered some of the costs for bridges and roads after the 2018 Anchorage earthquake.

[9:16:33 AM](#)

Vice-Chair Ortiz referred to slide 2 and the bullet point regarding the hardening of global property insurance markets. He asked him to discuss what caused the global insurance market to harden. He provided some potential examples. Mr. Jordan replied that it was an increase in property losses and not property values. The increase was driven by the amount paid in property claims in the prior year. He noted that there were many catastrophic events worldwide in the previous year that drove the premium increase. Many large insurers went out of business therefore, the capacity to insure was non-existent. The state insured \$7.6 billion in property value and when presented to the insurance market many insurers claim they lacked the capacity to insure that amount.

[9:17:55 AM](#)

Representative Thompson asked if the self-insured fund was a sweepable fund.

LESLIE ISAACS, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF ADMINISTRATION, responded in the negative but expressed some doubt.

[9:18:45 AM](#)

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, interjected that because the fund was expended without further appropriation it was not subject to the sweep.

Representative Josephson asked how the division intended to capitalize the fund to \$50 million. Mr. Jordan indicated that the division did not expect to see a full capitalization in the first year. However, the Office of Management and Budget (OMB) provided projections that it might be possible. Representative Josephson asked if the bill authorized for the collection of that much lapsing money. Mr. Jordan responded that the current sweep

authorized up to \$5 million, all the bill did was change the amount from \$5 million to \$50 million leaving the authority in place. Representative Josephson commented that the \$45 million could be spent in some other way. Mr. Jordan deferred to Mr. Isaacs.

Mr. Isaacs responded that Representative Josephson was entirely correct. The fund was replenished using lapsed funds. He anticipated that in two or three years, using lapsed funds they would attain the \$50 million balance.

[9:21:43 AM](#)

Representative Rasmussen requested clarification that the premium would increase to 7.6 percent. Mr. Jordan replied that the cost would increase to \$7.6 million. Representative Rasmussen asked whether that was per annum. Mr. Jordan replied, "That's correct." Representative Rasmussen deduced that the money in the fund would be saving at least 15 percent of the value that could be collected over a ten year period. She calculated that the state would pay a \$7.6 million premium for up to only \$50 million in coverage, so the state would save \$76 million over 10 years to hold \$50 million in an account for a catastrophe. She asked if she was correct. Mr. Jordan responded in the affirmative. The department anticipated that once the fund was fully capitalized to \$50 million any leftover unexpended funds would be given back to the agencies to be used as needed. Representative Rasmussen clarified that the state had \$7.6 billion in state building assets. Mr. Jordan responded in the affirmative. Representative Rasmussen asked if it was typical of other states to maintain such low coverage for a very high value of assets. Mr. Jordan answered in the affirmative. He related that some states had a high limit of \$300 million to \$400 million. He reminded the committee that the state's non-catastrophic loss limit was \$150 million. He elucidated that public entities and states typically did not insure for the total of all its assets because it was unlikely they would be lost at the same time.

Representative LeBon observed that the state was insured up to \$150 million for insurance loss and self-insured up to \$50 million and anything over \$150 million the state was relying on FEMA for a significant catastrophic event. He wondered if he was understanding the information correctly.

Mr. Jordan responded that the \$50 million would be used to off-set the catastrophic limit that the state currently purchased at the same amount. The non-catastrophic limit of \$150 million reflected the risk the state was taking by self-insuring. He indicated that the non-catastrophic losses the state had experienced were well below \$50 million.

[9:26:09 AM](#)

Mr. Jordan advanced to slide 5: "10-Year History of Property Payments Compared to All Lines of Business." He communicated that the table demonstrated what the state paid for property insurance versus all loss payments. He provided the example that almost 50 percent of all premiums were property insurance premiums.

[9:27:17 AM](#)

Mr. Jordan turned to slide 6 titled "Comparison of Premiums Paid, Property Losses Paid, And Recovery (Excess Insurance) From FY 95-2020." He relayed that the state paid \$59 million in property premiums and paid out \$26 million in property losses. The recovery from excess insurance was \$17 million from only three claims:

FY2014 Kodiak Launch Facility loss	\$15,931,131
FY2007 DOT-Girdwood Fire	\$835,136
FY2000 Court Plaza Building	\$1,176,547

Mr. Jordan explained that the Kodiak loss was a \$34 million loss. The state paid its \$1 million retention, and the excess carrier paid the additional \$34 million. The insurance carrier was able to "subrogate" or collect some funds from the launch customer who caused the damage. Ultimately, about \$16.5 million was paid - \$15.5 million of which was paid by an excess carrier. He furthered that the court plaza incident in 2000 in Juneau was caused by an oil leak from a day tank that was located on the top floor of the building; the state recovered \$1.1 million. He shared that after the accident at the Kodiak Launch Facility occurred in 2014, the insurance underwriters decided to impose a 72 hour exclusion around the launch date. Alaska Aerospace had pushed their risk over to the launch customers and each customer signed an agreement to cover any structures damaged during a launch.

9:30:05 AM

Mr. Jordan continued to slide 7 titled "History of the Catastrophe Reserve Account (CATFund)"

Sec. 37.05.289. State insurance catastrophe reserve account.

- (a) There is established in the general fund a state insurance catastrophe reserve account consisting of assets appropriated to it by the legislature, assets allocated to the account by the Department of Administration as provided in this section, and amounts deposited into the account as provided in this section. Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program. Interest earned on money in the account shall be remitted to the Department of Revenue in accordance with AS 37.10.050.
- (b) The Department of Administration may allocate to the state insurance catastrophe reserve account, from the appropriations to all state agencies for insurance-related purposes, an amount that the commissioner of administration determines to be necessary to provide an adequate insurance program for the operations of state government. Money remaining in the account at the end of a fiscal year is not a one-year appropriation under AS 37.25.010 and does not lapse, except for amounts determined by the commissioner of administration to be unnecessary to maintain this account at an appropriate level and not to exceed \$5,000,000. If the amount necessary to satisfy claims or judgments for which payment may be due under the state insurance program in a fiscal year exceeds the unexpended balance of the amounts allocated to the account, the department may charge an additional amount from the unencumbered balance of any appropriation that is determined by the commissioner of

administration to be available for lapse at the end of the fiscal year.

- (c) The \$5,000,000 cap, set in (b) of this section, on money that may be retained in the state insurance catastrophe reserve account applies only to unobligated money in the account at the end of a fiscal year.
- (d) Amounts received in settlement of insurance claims or as recovery for losses shall be deposited into the state insurance catastrophe reserve account.

Mr. Jordan read from portions of the slide:

Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.

Mr. Jordan pointed to language in the statute, "not to exceed \$5 million" and noted that the bill changed the amount to \$50 million.

[9:30:44 AM](#)

Mr. Jordan presented Slide 8 titled "Lapse Appropriations Summary:"

The State Insurance Catastrophic Reserve Fund, Fund # 3209, (Cat Fund) is part of the General Fund and Other Non-segregated Investments (GEFONSI). The GEFONSI are funds that have been pooled together for investment purposes. The Cat Fund is part of the Non- MOU group, which allows for the interest earned to be deposited back into the General Fund.

- The budget includes lapse appropriations to shore up certain state accounts up to statutory limits.
- The Risk Management lapse appropriation is last to ensure sufficient lapse for the other accounts.

- The total FY2021 projected UGF lapse is \$100.7 million.

Mr. Jordan explained that the lapse appropriation was a "waterfall type sweep" of funds and the self-insured account was the third on the list. He pointed to a chart at the bottom of the slide that portrayed the last three years of swept funds and the amount swept. The third bullet in the middle was the amount OMB was projecting as the possible UGF lapse that might fully fund the account. He elaborated that any funds leftover in Risk Management went into the CATFund first and if it was not fully funded the remainder was available for the undesignated general fund (UGF) sweep.

[9:32:33 AM](#)

Representative Josephson thought a projected fund lapse of \$100 million was a significant amount. He asked where the funding was coming from. Mr. Jordan indicated OMB had come up with the number. He deferred the answer to OMB.

[9:33:05 AM](#)

PALOMA HARBOUR, FISCAL MANAGEMENT PRACTICES ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), answered that the \$100.7 million was the total of the lapse forecast. She expounded that the forecast included Medicaid lapsed funds but did account for lapsed funds the legislature may appropriate. The amount was reported to the legislature each year. She commented that the amount cited was simply an informational bullet. She qualified that if the projected amount lapsed, the state could "potentially" capitalize the fund depending on the will of the legislature. She hoped the fund would be filled over several years.

[9:34:17 AM](#)

Representative Josephson suggested that the projected amount was based solely on the governor's budget. Ms. Harbour relayed that the governor's amended budget appropriated a portion of lapsed funds to the Disaster Relief Fund. The remainder of the amount that truly lapsed would be available to help capitalize the CATFund.

[9:34:55 AM](#)

Representative Carpenter inquired how the projected savings were calculated. Mr. Jordan responded that the savings would be realized every year in premiums. He had not anticipated to fully fund the CATfund in one year. Representative Carpenter deemed that money had to be in the account to be self-insured. He wondered if the fund was not fully capitalized whether the state was fully self-insured and still had to pay premiums. Mr. Jordan answered in the negative. He indicated that the intention was for the state to be self-insured in the property market. He hoped some of the increased amount would be appropriated to the fund in the current year. The CATFund balance was currently \$5 million, and that amount had covered the state in all but one occurrence.

Mr. Isaacs interjected that the cost savings had to do with the cost avoidance of paying premiums and were not tied to the balance of the CATFund. The cost savings would be immediate as the fund continued to grow to the new limit of \$50 million.

Representative Carpenter asked if the designation of being self-insured really meant the state accepted the risk regardless of the amount in the fund. Mr. Jordan stated that to some extent the statement was correct. He noted that there was a difference between being self-insured and uninsured. He offered that the division discussed the \$5 million amount with FEMA who confirmed that at that level it considered the state self-insured and met the requirement of the obtain and maintain clause.

[9:38:04 AM](#)

Representative Wool asked if the state's premium came out of the CATFund. Mr. Jordan replied in the negative. Insurance premiums were paid out of yearly appropriations. The CATfund was only used for unexpected large losses. Representative Wool deduced that if \$5 million was maintained in the fund, FEMA considered the state self-insured even while the state was capitalizing the fund to a higher amount. Mr. Jordan responded that the statement was correct.

Mr. Isaacs addressed Representative Rasmussen's earlier question and added that with the CATfund as part of the General Fund and Other Non-Segregated Funds (GEFONSI) fund it collected higher interest earnings than the general fund

(GF). He indicated that the \$50 million would be part of the investment portfolio that would earn interest and would be deposited into the GF.

[9:40:18 AM](#)

Representative Rasmussen asked if a partial premium could be paid. She hypothesized that \$20 million was in the CATFund fund and the state would insure for the other \$30 million. Mr. Jordan replied that it was possible. However, he had found that there was not a significant cost savings for insuring catastrophic losses at \$25 million or \$30 million versus \$50 million. He calculated that the \$50 million premium was \$7.6 million, and it was roughly \$6.5 million for \$30 million in coverage.

[9:41:14 AM](#)

Mr. Jordan concluded the presentation and was open to questions.

[9:41:31 AM](#)

Co-Chair Merrick OPENED public testimony.

[9:41:47 AM](#)

CHARLES MCKEE, SELF, ANCHORAGE (via teleconference), stated that he had submitted written testimony regarding the bill. He opined about contracts. He mentioned a civil action he was involved in with the state. He alluded to personal issues he had with the state and Workers Compensation. The testimony was not related to the bill topic.

[9:44:14 AM](#)

Co-Chair Merrick CLOSED public testimony.

[9:44:23 AM](#)

AT EASE

[9:45:14 AM](#)

RECONVENED

Representative Rasmussen provided a summary of her understanding of the bill. She understood that the bill allowed the state to self-insure for catastrophic coverage

of up to \$50 million and the state was working to attain the \$50 million level in the CATFund. The state would only have catastrophic coverage up to the amount in the account. Mr. Jordan responded in the affirmative.

Co-Chair Merrick asked for a motion.

[9:46:06 AM](#)

Co-Chair Foster MOVED to report HB 102 out of Committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HB 102 was REPORTED out of committee with a "do pass" recommendation and with one previously published fiscal impact note: FN1(ADM).

[9:46:30 AM](#)

AT EASE

[9:47:44 AM](#)

RECONVENED

#hjr1

HOUSE JOINT RESOLUTION NO. 1

Proposing amendments to the Constitution of the State of Alaska relating to the Alaska permanent fund and to appropriations from the Alaska permanent fund.

[9:47:52 AM](#)

REPRESENTATIVE JONATHAN KREISS-TOMPKINS, SPONSOR, thanked the committee for hearing HJR 1. He commented that the mechanics of the resolution was relatively simple. He explained that HJR 1 placed the Percent of Market Value (POMV) in the state constitution and "collapsed" the Earnings Reserve Account (ERA) into the Permanent Fund (PF) principle so that the entire fund was constitutionally protected from being overspent. The POMV draw would remain 5 percent. He voiced that HJR 1 left all other questions on the table. He thought that the resolution aspired to protect the PF from being spent down. He stressed that everyone would lose if the fund was spent down regardless of differing priorities. He viewed that the policy embodied in HJR 1 was a necessary component of any fiscal plan; that

the PF was protected from overspending and preserved for future generations as the cornerstone of Alaska's fiscal future. His motivation was to force a fiscal plan and by hardening the draw it necessitated that the legislature figured the pieces out. The policy forced the legislature to figure out the budget problem. He was available for questions.

Co-Chair Merrick indicated Ms. Rodell was available to provide comments.

[9:51:35 AM](#)

ANGELA RODELL, CHIEF EXECUTIVE OFFICER, ALASKA PERMANENT FUND CORPORATION (APFC), indicated the trustees had been on the record since 2000 in support of a constitutional amendment that would enact a 5 percent POMV spending limit and protect the entire fund for future generations of Alaskans by eliminating the distinction between the principle and earnings. She elaborated that the percent of market value structure in the resolution allowed the fund to benefit all generations and limited payouts. It protected the funds value through constitutional inflation proofing and eliminated a separate appropriation for inflation proofing. Finally, it provided a payout that was compatible with APFC's investment policy and allocation strategy. She furthered that in 2003 and 2004 the board of trustees adopted resolutions that advocated for a constitutional POMV of 5 percent based on a 5-year average. In 2018, the board of trustees adopted Resolution 1804 that promoted the same concepts. Additionally, in 2020 the board reaffirmed the statements made in the prior resolutions. She believed that HJR 1 affirmed the long-term stability of the fund.

[9:53:40 AM](#)

Representative Rasmussen asked if the 5 percent POMV was still sustainable if only 25 percent of the constitutionally mandated royalties were deposited into the fund and the 25 percent statute was repealed. Ms. Rodell replied that the royalties were important to the fund but did not impact the ability to withdraw the 5 percent POMV amount. She expounded that currently the statutory 25 percent was approximately \$90 million and would be deposited into the fund. It was a very important amount but

a very small amount and would not meaningfully affect the 5 percent POMV.

[9:55:20 AM](#)

Representative LeBon asked if the fund was earning approximately 6.5 percent to 7 percent averaged over a reasonable timeline and added the royalties whether it would inflation proof the fund over the long-term. Ms. Rodell clarified that the 25 percent constitutionally mandated royalties had been around \$300 million to \$350 million and vary with the price of oil. The additional 25 percent had to do with oil development after 1979, was a more limited pool of money, and equated to the roughly \$80 million to \$90 million. The two generated different contributions to the fund. She elaborated that royalty was not inflation proofing and did not cover inflation. Royalty was a non-renewable resource that the state was attempting to create inter-generational equity with. Royalty had no tie to inflation. The inflation proofing came about based on the current constitutional construct. The principle did not get any inflation benefit from the increase in market value that might occur due to inflation because all the gain went to the ERA once its realized, which was why inflation proofing was necessary. A POMV structure would eliminate the need for inflation proofing because the total fund would benefit from all the gain and in effect constitutionalize inflation proofing.

[9:58:00 AM](#)

Vice-Chair Ortiz asked whether there would be any leeway for the ERA outside of the 5 percent draw if a 5 percent draw was in the constitution. Ms. Rodell explained that how it worked mechanically was the unencumbered balance in the ERA would be deposited into the corpus and the ERA would be eliminated. She informed the committee that the legislature would need to conform statutes to the new constitutional amendment. There would not be an ERA after a certain date once it was constitutionalized.

[9:59:29 AM](#)

Representative Carpenter referenced the statement that HJR 1 would protect the fund. He asked which portion of the fund was not currently protected. Ms. Rodell responded that it depended on how protection was defined. She elucidated

that the principle was not protected from inflation without an appropriation by the legislature. The ERA was not protected to ensure intergenerational benefit because the entire balance was subject to appropriation. She maintained that from the viewpoint of the trustees, protection meant that the fund was saved and would keep up with inflation without the need for active involvement by the legislature other than appropriating up to 5 percent of the POMV. Representative Carpenter appreciated the clarification. He believed that there were two different types of protection; one is inflationary protection of the principle, and the other was spending of the ERA. He stated that there was not a mechanism to spend from the corpus. He asked if he was correct. Ms. Rodell responded in the affirmative.

Representative Carpenter hypothesized that if inflation was outpacing the 5 percent draw over several years, then in those years the corpus would not be inflation-proofed. He asked whether he was correct. Ms. Rodell responded that the trustees had an investment policy with a long-term objective of 5 percent plus the Consumer Price Index (CPI). Therefore, if there was a period of high inflation of 3 percent then the trustees would want a nominal return of 8 percent. If the investment performance was below 5 percent "then inflation was not quite getting the fund to the same spot but was not falling as far behind as a scenario with zero inflation and flat growth." A period of negative losses meant the fund was falling further and further behind. She determined that if the fund had negative losses it would have to perform better than 8 percent. She reasoned that the "smoothing affect" was invaluable to the POMV. She explained that in years of off the chart growth the fund would produce a benefit over the next 5 years as the boom years fed into the calculation. However, there would not be a windfall amount if it was taken all in one year. She hypothesized that if in FY 22 to FY 24 there was 1 percent or minus 5 percent growth it would get factored in and the numbers would trickle down. Looking back over a 10 to 15 year period it would be a "smooth ride" and not create wild swings. It was the corporation's philosophy to stay invested to keep pace with the 5 percent POMV.

[10:05:30 AM](#)

Representative Carpenter had heard that a percentage of real earnings already accounted for inflation. He asked if it would be a more traditional way to inflation proof. Ms.

Rodell responded that it was a possibility. She delineated that another way other jurisdictions had handled it was to make the POMV a range of percentage points like 3 percent to 5 percent and factor in the inflation rate and withdraw accordingly to leave an inflation adjustment. She stated that the mechanism was a policy call and from the trustees' standpoint HJR 1 was consistent with what the trustees had adopted. She thought that the HJR 1 mechanism was "very simple and straightforward."

[10:06:56 AM](#)

Co-Chair Merrick apologized to Mr. Laing for not being able to hear his presentation, as the committee was out of time. He would be invited back to the committee at a later hearing.

Co-Chair Merrick reviewed the agenda for the afternoon.

HJR 1 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[10:07:32 AM](#)

The meeting was adjourned at 10:07 a.m.