

Unemployment Insurance (UI) Advisory Council Meeting Minutes  
May 9, 2016  
Kneip Building, Conference Room #3  
700 Governors Drive  
Pierre, SD

**Members Present**

Marcia Hultman, Chair  
Tim Fitzgerald  
Robert Anderson  
Shawn Lyons  
David Owen

**Members Absent**

Carol Hinderaker  
Don Kattke

**Others Present**

Pauline Heier	Jason Simmons
Sarah Petrik	Sara Garbe
Tom Hart	Amber Mulder
Kelsey Baker	Fred Dieken
Dawn Dovre	Dan Thielsen
Lindsey Riter	Sharon Schnabel
Deb Mortenson	Dawn Williams
Bob Mercer	Patty Nohr
Jamie Farmen	Scott Geffre
Emily Ward	

Chairwoman Hultman called the meeting to order, and roll call was taken by Sarah Petrik. A quorum was present.

Shawn Lyons MOVED to approve the January 25, 2016, minutes. Rob Anderson SECONDED. Roll call vote was taken with 4 Yea (Hultman, Lyons, Owen, Anderson), 0 Nay and 1 Excused (Fitzgerald). **Motion carried.**

Chairwoman Hultman provided a recap of the 2016 legislative session. Two bills impacting the UI program were introduced during the 2016 session. The proposed bills were intended to cover a shortfall in funding from the U.S. Department of Labor for UI administrative costs. SB43 increased the current penalty from \$5 to \$25 for failure to make a required UI payment or submit a wage report. This bill passed and will become effective July 1, 2016. SB47 reduced experience-rated employer contributions by .02 percent beginning January 1, 2017. The amount of the reduction would then be paid into the UI administration fund, which covers UI administration expenses. This bill passed the Senate, but failed in the House.

Chairwoman Hultman provided an update, and discussion was held by the Council on the current financial status of the UI Trust Fund and the UI projections for 2016.

Pauline Heier gave a presentation on several commonly used measures of assessing trust fund solvency. The three measures were the reserve ratio, the high cost multiple and the average high cost multiple (AHCM).

The reserve ratio measures trust fund balance against total wages. It reflects the size of the economy by taking into consideration wage inflation and employment growth. The two "cost multiple" measures compare trust fund reserves to past benefit payouts during recessions. These measures assess the risk of insolvency by comparing the reserve ratio to benefit experience. The primary difference between the high cost multiple and the average high cost multiple is the benefit cost ratio used. The high cost multiple uses the highest historical benefit cost rate during a 12-month period and the average high cost ratio uses the average of the three highest benefit cost rate during the last three recessions or past twenty years.

Discussion was held by the Council on the various measures to determine the measure South Dakota should use to define an adequate trust fund balance. Secretary Hultman suggested using an AHCM of 1.5 or higher. An AHCM of 1.5 means the trust fund could pay out one and a half years of benefits during a moderate recession without receiving any additional revenue.

Consensus of the Council was to start with an AHCM of 1.5 to 1.75 as the starting point for an adequate trust fund balance. Development of a new tax rate/reserve ratio structure will be based on this target and further discussion will be held by the Council at the next meeting. The next meeting will be set for July.

Rob Anderson MOVED to adjourn the meeting. David Owen SECONDED. **Motion carried.**  
Meeting adjourned at 2:31 p.m.