

PUBLIC EMPLOYEE RETIREMENT SYSTEM *of IDAHO*

January 2021

PERSI FY2020 STATUS & FY2021 PROGRESS FOR JOINT FINANCE-APPROPRIATIONS COMMITTEE

During fiscal year 2020, services at PERSI remained on-track and membership received the same level of customer service that they have come to expect from PERSI in spite of global events.

COVID triggered significant market volatility during the third quarter of the fiscal year. This resulted in the fund going from a +9.1% rate of return in February to a -14.8% rate of return in March. The fund was able to recover and PERSI's fiscal year ended (on June 30, 2020) with an investment return of 2.65% net of all expenses.

Volatility may, and often does, occur day-to-day or week-to-week. However, over time, the markets tend to balance out and the fund performs as expected. PERSI's investment professionals and staff are extremely vigilant in monitoring our long-term investment strategy and asset allocation.

The Board remains watchful over the investment return assumption and investment strategy. At each Board meeting, the Board and our investment professionals discuss market trends and outlooks. The Board considers a broad range of factors and closely monitors the Plan to protect the funded status.

During the fiscal year, the number of active PERSI members increased from 72,502 to 73,657. PERSI's retired members or annuitants receiving monthly allowances increased from 48,120 to 49,573.

Total membership in PERSI increased from 160,489 to 165,175 during the fiscal year. PERSI now has 819 public employers in the state who are members.

As the Plan Sponsor, the Legislature's insight to create Idaho Statute 59-1322(5) requiring the

Board to take action if the amortization period for the Fund's unfunded actuarial liability (UAL) exceeds 25 years has protected the Fund.

At the end of the fiscal year, PERSI had an amortization period of 20.5 years and a funding ratio of 87.7 % (before any COLA decision). Since the amortization period was under 25

FISCAL YEAR END 2020*

Fund Value: \$17,944,029,418
Funding Ratio: 87.7%
Amortization Period: 20.5 years

MEMBERSHIP*

Total: 165,175

RETIREES*

Number of Retirees: 49,573
Annual Retiree Payroll: \$999.79 million
• \$890.9 million paid to retirees with Idaho addresses
Average Monthly Benefit: \$1,680
Average Years of Service: 20.0

ACTIVE MEMBERS*

Number of Active Members: 73,657
Average Member Salary: \$47,799
Average Years of Service: 9.7
Average Age: 45.8

EMPLOYERS*

Number Participating: 819
• Cities & Counties: 203
• Junior Colleges & Public Schools: 180
• State Offices & Departments: 99
• Water and Irrigation Districts: 77
• Fire Districts: 73
• Highway Districts: 59
• Library Districts: 30
• Cemetery: 19
• Sewer: 11
• Other: 68

CONTRIBUTION RATES**

General	Public Safety
Member: 7.16%	Member: 8.81%
Employer: 11.94%	Employer: 12.28%

2021 COST-OF-LIVING ADJUSTMENT

• The legislatively-mandated 1% COLA will become effective March 1, 2021

*As of June 30, 2020

**As of July 1, 2020

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years, there are no proposed contribution rate increases for employers or employees.

Like last year, the Board is watchful of ongoing market volatility, changing demographics within the plan, and retirees anticipating additional COLA during positive return years. Future discretionary COLAs (other than mandated) will require strategic and careful consideration going forward. The Board is focused on sustaining the fund and establishing COLA practices that align with fund sustainability.

The PERSI Retirement Board has been working through updating their policies and practices, including the PERSI funding guidelines. These funding guidelines take a conservative approach to the COLA, keeping in mind the purchasing power of retirees while focusing on the main goal of sustaining the fund and stabilizing contribution rates.

At the October Board meeting, the Board stated they would remain true to the funding position and would not take any action concerning discretionary COLA. Since no action took place, a vote regarding the COLA was not required.

The legislatively mandated 1% COLA goes into effect on March 1, 2021.

During the October Board meeting, the Board approved a measure to move the Sick Leave Fund from a 55-30-15 asset allocation to a 50-50 asset allocation to de-risk the fund. By rebalancing the fund, this brought the fund into the 50-50 asset allocation requirement set by the Board as of that date (10/23/2020), with a total market value of \$637,400,345.73.

After a lengthy discussion at the November Board meeting, the Board unanimously passed the motion to extend the sick leave rate holiday by one (1) year. The initial rate holiday began on January 1, 2020, and was scheduled to end on June 30, 2021, for state and school employers. The extended rate holiday for both the state and school plans will now end on June 30, 2022.

Per our actuaries' FY2020 Sick Leave Valuation, the approximate savings of this action for the State is \$8 million and Schools is \$16 million.

PERSI greatly appreciates and supports the Governor's recommendation of 2% through CEC. The Governor recommends funding for the following (Located in the 2021 Legislative Budget Book for FY2022, section 6-95 through 6-98):

ADMINISTRATIVE

- Replacement of Servers & Modular Storage Array; Equipment was at end-of-life and out of warranty. Acquired and replacement complete.
- Desktop computers, monitors and laptops; Normal replacement of items under 5-year replacement plan. Acquired and replacement complete.
- Investment Officer Position – Recruitment process was initiated but has since been suspended due to salary demands and impact of COVID on recruiting process. Will resume process once pandemic situation stabilizes.
- Internal Actuary Position – Recruitment process was initiated but no qualified applications were received.
- Remaining positions are in various recruitment stages with intentions of being filled by early spring.