Agency Summary & Statutory Authority
The mission of the Public Employee Retirement System of Idaho (PERSI) is to provide members and their beneficiaries with reliable, secure, long-term retirement, survivor, and disability benefits as specified by law, and to assist members in planning a secure retirement by providing high quality service, retirement education, and information, [Statutory Authority: Chapter 13, Title 59, Idaho Code].

Total Appropriation and Actual Expenditures

- PERSI was authorized 73.00 FTP in FY 2021.
- PERSI is funded through dedicated funds. Most of the revenue is received from contributions from both employers and employees as well as interest. (Page 6-106 LBB).
I will be discussing the following topics:

- During fiscal year 2021
- What experts say about PERSI
- Decisions made so far in FY2022
- Budget request
While the pandemic has created challenges, it has also provided opportunities. We are proud of how our staff at our three (3) locations adapted to the situation and put inconveniences aside during the last eighteen (18) months to successfully serve our membership and the public, onsite and remotely.

Unlike fiscal year 2020, the fund thrived during fiscal year 2021 resulting in significant returns.

**MARKET AND FUND UPDATE**
- Asset gain of almost $5 billion dollars
- Investment return of 27.43%, net of all expenses
- Fully funded at 100% before any COLA decision
- As of December 31, 2021*, fund was:
  - $24,497,643,046, current value of the fund
  - 5.3%, fiscal year to date returns
  - 100.9% funded ratio

**MEMBERSHIP**
- 73,563 active members
- 50,891 retirees
- 835 employers

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*SOURCE: PERSI Chief Investment Officer, Daily Investment Report, 12/31/2021*
WHAT EXPERTS SAY ABOUT PERSI

PEW:
Fiscally sustainable pension plans maintain pension benefits that are sufficient to recruit and retain a public workforce without compromising other state budget priorities.

This is particularly important during periods of economic uncertainty, during which contribution volatility can strain government budgets.

Although measures of cost predictability are somewhat subjective and less established than other common metrics among pension practitioners, historical analysis of 50-state financial data reveals that five states have maintained stable costs within a range of plus or minus 3% of payroll (or about 1% of revenue) over the long term while preserving funded status or reducing debt.

They do so primarily by following funding and risk-sharing policies designed to reduce the cost sensitivity of existing and future benefits to economic shocks and the business cycle.

Using this measure as an initial assessment of cost predictability, Idaho, Nebraska, South Dakota, Tennessee, and Wisconsin meet all three tests of solvency, debt sustainability, and cost predictability.


Sources: Annual financial reports, actuarial reports and valuations, other public documents, or reports by plan officials
WHAT EXPERTS SAY ABOUT PERSI

2021 ESTIMATE AGGREGATE STATEWIDE FUNDED RATIOS

EQUABLE:
Being fully funded is important because it means pension funds have a large enough asset base to build investment returns from that — combined with contributions — are sufficient to pay all promised benefits.

Plus, it means avoiding expensive unfunded liability amortization payments.

August 2021 – Lowered the inflation assumption to 2.3% resulting in lowering the assumed rate of return.

November 2021 – Board approved the creation of a new class. The new school district employee class may have a separate contribution rate from general members. This will be discussed by the Board.

November 2021 – Board reexamined the sick leave rate holiday. They voted and passed unanimously to extend the rate holiday for schools to June 30, 2026 and state to June 30, 2031.

December 2021 – Board granted a 2.5% discretionary cost-of-living adjustment along with the 1% legislatively mandated cost-of-living adjustment.
BUDGET REQUEST – PENSION ADMINISTRATION SYSTEM UPGRADE (ARRIVOS)
LINE ITEM NO. 1 – Pension Software Upgrade – FY2023 Idaho Legislative Budget Book/6-109

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IN THE BEGINNING – Arrivos, after being legislatively approved, was implemented into production to completely replace the obsolete and faltering 15-year-old legacy system.

TODAY – Need to upgrade to latest generation of Arrivos. Risks have been identified and need to be addressed before becoming more serious. Additional improvements are also needed to fulfill PERSI’s commitment to excellent member service.

PROPOSING – A four (4) year project upgrading Arrivos in phases starting in fiscal year 2023. Cost proposal to complete upgrade is $11,520,000 plus the cost of a few temporary staff and consultants for a total cost of $12,000,000.

WHY – We recommend this action as a means for PERSI to manage future costs, continue to meet member service expectations and control the risks associated with operating the pension system.

UPKEEP AND STRATEGY – For now and the foreseeable future is to periodically modernize the Arrivos system to keep it modern and relevant and avoid the inconvenience of an obsolete system and the enormous burden and cost of a complete system replacement project.

FURTHER RECOMMENDATION – Pension administration systems are highly specialized and complex applications that take multiple years to implement at considerable cost. PERSI made a large investment in Arrivos and has a profound interest in keeping it viable and relevant. There is considerable and unacceptable risk associated with relying on a system that is allowed to become obsolete. We should take action now to begin a phased upgrade of the system, rather than waiting until the risk is unbearable and the cost is much higher.
BUDGET REQUEST – FOLLOW UP

OMNIBUS DECISIONS – FY2023 Idaho Legislative Budget Book/6-109

Omnibus Decisions

As part of the Governor's initiative to consolidate, streamline, and improve information technology operations across the state, phase III of the consolidation of technology services includes adding the PERSI to the agencies supported by the Office of Information Technology Services.

In accordance with the Governor's initiative, this request accounts for a reduction of 5.00 FTP and $397,000 in personnel costs.

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Questions & Answers

THANK YOU FOR YOUR TIME!