



Commitment

Competence

Character

PERSI CEC Presentation

Don Drum, PERSI Executive Director

January 7, 2014

Calendar Year End Valuation

PERSI INVESTMENT REPORT

Month to Date Report

December 31, 2013

CURRENT VALUE OF THE FUND	\$	13,872,622,168
FISCAL YEAR NET CHANGE IN ASSETS	\$	1,116,096,251
FISCAL YEAR TO DATE RETURNS		9.7%
MONTH TO DATE RETURNS		0.9%

UAAL - July 1, 2013

Public Employees Retirement System of Idaho Unfunded Actuarial Accrued Liability Model (UAAL)

PERSI Status as of 07/01/2013

Actuarial Accrued Liability	14,127.6
Market Value of Assets	12,053.5
Unfunded Actuarial Accrued Liability	2,074.1
Funded Ratio	85.3%

UAAL - December 31, 2013

Public Employees Retirement System of Idaho Unfunded Actuarial Accrued Liability Model (UAAL)

Inputs

Date for calculation of UAAL
Asset Return Year to Date (Net of Expenses)
Total March 1, 2014 COLA

12/31/2013
9.70%
1.0000%

PERSI Status as of 07/01/2013

Actuarial Accrued Liability	14,127.6
Market Value of Assets	12,053.5
Unfunded Actuarial Accrued Liability	2,074.1
Funded Ratio	85.3%

PERSI Status as of 12/31/2013

Actuarial Accrued Liability	14,459.5
Market Value of Assets	13,115.8
Unfunded Actuarial Accrued Liability	1,343.7
Funded Ratio	90.7%



If PERSI funding is solid, why
implement a rate increase?

UAL 2008-2009

	Unfunded Actuarial Accrued Liability	Funded Rate	Amortization Period
Actual UAL 7/1/08	\$748.9	93.3%	15.6 years
Actual UAL 7/1/09	\$3,026.6	74.1%	Over 100 years

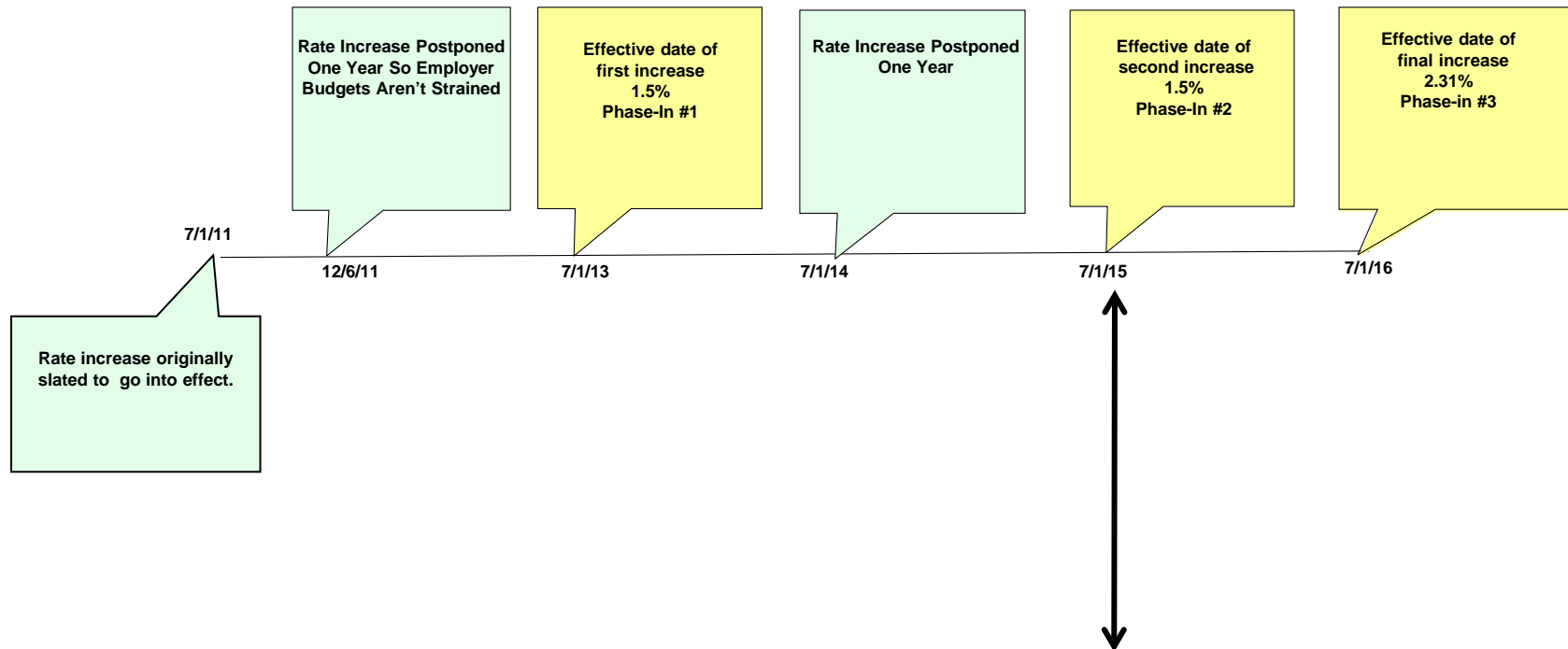
State Law 59-1322(5)

- ◆ According to this section of Idaho Code, the Board *must* act if the amortization period for the Fund's unfunded actuarial liability (UAL) exceeds 25 years.
- ◆ By law the Board must act.
 - ◆ The most common option would be to recommend a rate adjustment, which would occur on January 1st of the second year following the most recent valuation.
- ◆ The Board receives a valuation each October.
- ◆ The Board understands the economic realities that all employers and members face at this time.

PERSI's unfunded liability peaked in 2009

Fiscal Year-end	FUNDED RATIO	UAAL	AMORTIZATION PERIOD
2009	74.1%	\$3.0B	100+ years
2010	78.9%	\$2.5B	17.5 years
2011	90.2%	\$1.3B	8.2 years
2012	84.7%	\$2.1B	14.8 years
2013	85.3%	\$2.1B	13.1 years

2014 Rate Increase Postponed



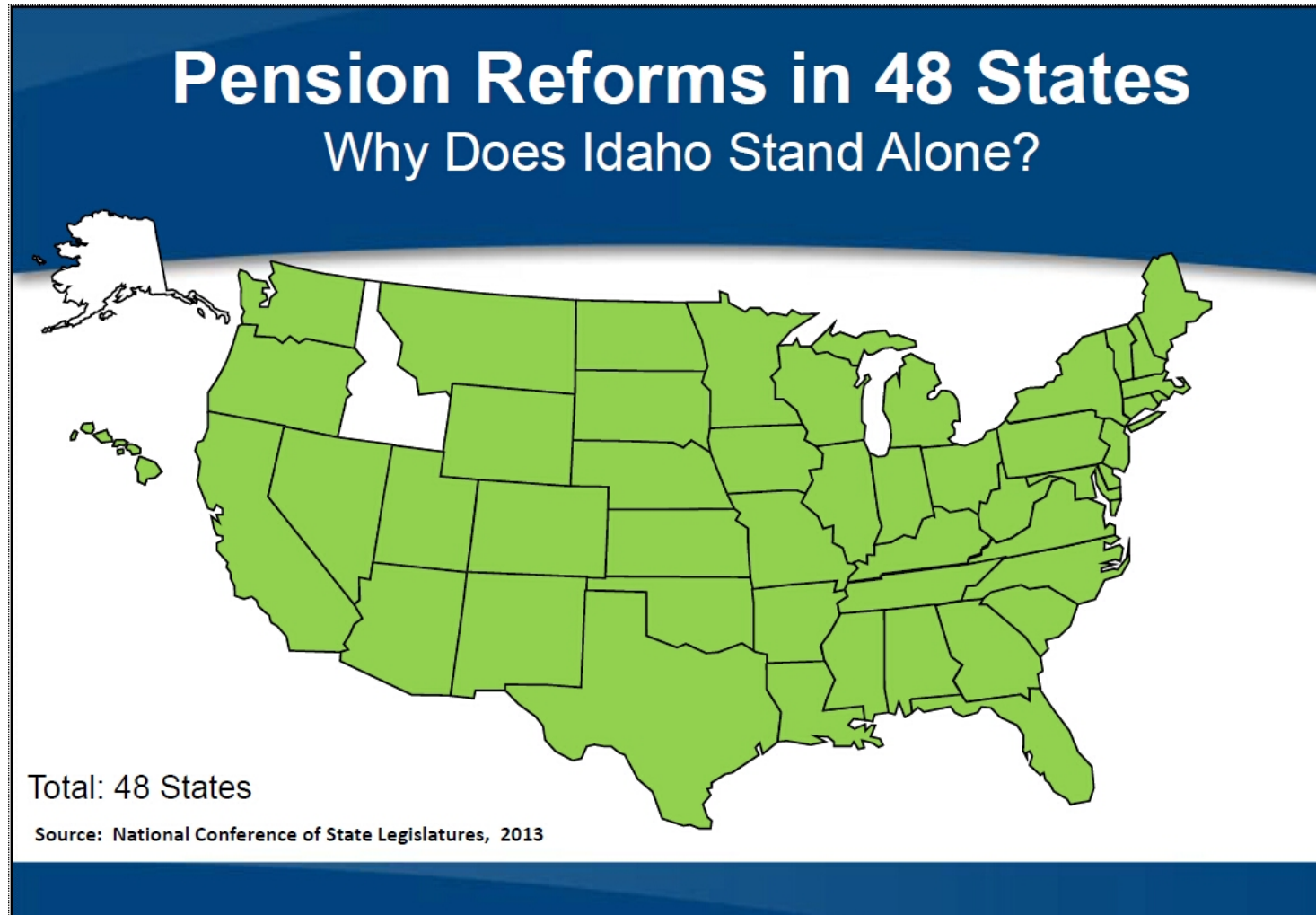
Board action not required. Rate increases effective 7/1/15

Contribution Rates

		FY 2013	FY 2014	FY2015
General Members	Employee Rate	6.23%	6.79%	6.79%
	Employer Rate	10.39%	11.32%	11.32%
Fire/Police Members	Employee Rate	7.69%	8.36%	8.36%
	Employer Rate	10.73%	11.66%	11.66%

PERSI's Strengths and Funded Status

PERSI Recognized Nationally





Idaho Code governs PERSI.

- ❖ Idaho Code relatively conservative.
- ❖ Idaho Code allows decision-makers time to consider issues.
- ❖ Plan Sponsor: Legislature makes benefit changes.
- ❖ Administrator: Board makes funding decisions.

The Board has evaluated and considered the common reforms.

- ❖ Board feels benefit changes unnecessary; will work with legislators to evaluate any reforms.
- ❖ In 2009, Board proposed rate increase for employers and employees. First rate increase took effect July 1, 2013.
 - ◆ UAAL reduced by 35% without the rate increases.
 - ◆ PERSI above PEW's 80% solid performer threshold FY11, FY12 & FY13.
- ❖ Effective July 1, 2012, the Board reduced PERSI's net return assumption to 7%.



PERSI has always been conservative, while others have not.

- ❖ Not all states require employees to participate in contributions.
 - ◆ Idaho has always required employee participation; Utah never has.
- ❖ Idaho's governors, legislators, and the PERSI Board have never enhanced benefits without an ongoing revenue stream.
 - ◆ California, Illinois, and other states enhanced benefits hoping to fund them from investment returns.

PERSI has always been conservative, while others have not. (continued)

- ◆ Idaho employers have always met their contribution obligations.
 - ◆ Many states made only 28% of recommended contributions.
- ◆ States established aggressive rate of return assumptions, some above 9%.
 - ◆ Many states are moving to more reasonable return assumptions. Idaho has always been conservative, and with the Board-approved change this year, we are among the lowest of the major public pension plans.

Historical Rates, Amortization and COLA

Year	Employer	Fire/Police Employee	General Employee	Return	Amortization UAL (yrs)	Funded Status	COLA	
							CPI-U	Granted
1996	11.64	8.53	6.97	18.30%	13	85.5%	2.6%	2.6%
1997 (Temp)	11.64 / 9.80	8.53/7.21	6.97/5.86	19.50%	2	97.3%	2.9%	2.9%
1998 (Temp)	11.64 / 9.80	8.53/7.21	6.97/5.86	17.60%	N/A	109.9%	2.2%	2.2%
1999 (Temp)	11.64 / 9.80	8.53/7.21	6.97/5.86	11.60%	N/A	112.9%	1.6%	1.6%
2000	9.8	7.21	5.86	13.30%	N/A	116.5%	2.3%	2.3%
2001	9.8	7.21	5.86	-6.10%	10.2	97.2%	3.4%	3.4%
2002	9.8	7.21	5.86	-7.00%	39.3	84.9%	2.7%	2.7%
2003	9.8	7.21	5.86	3.70%	19.4	83.5%	1.8%	1.0%
2004	10.43	7.65	6.23	18.10%	8.5	91.1%	2.2%	2.2%
2005	10.43	7.65	6.23	10.80%	7.3	93.2%	2.7%	2.7%
2006	10.43	7.65	6.23	12.30%	12.8	94.1%	3.6%	3.6%
2007	10.43	7.65	6.23	20.10%	N/A	105.1%	2.8%	2.8%
2008	10.43	7.65	6.23	-4.20%	15.6	93.3%	5.4%	1.0%
2009	10.43	7.65	6.23	-16.00%	100+	74.1%	-1.48%	1.0%
2010	10.43	7.65	6.23	12.40%	17.5	78.9%	1.15%	1.0%
2011	10.43	7.65	6.23	20.70%	8.2	90.2%	3.77%	1.0%
2012	10.43	7.65	6.23	1.60%	14.8	84.7%	1.69%	1.0%
2013	11.36	8.36	6.79	9.10%	13.1	85.3%	1.52%	1.0%

Cost-of-Living Adjustment (COLA)

- ❖ 59-1355 provides for a cost-of-living adjustment to retirement benefits.
- ❖ Based on Consumer Price Index for Urban workers (CPI-U) for the 12 months ending August of current year.
- ❖ Meant to keep retirement payments equal with inflation and maintain 100% purchasing power.
 - ◆ Until 2008, the Board had protected retiree purchasing power by using discretion to provide COLAs that met the CPI-U.
 - ◆ Since 2008, the Board has only allowed a 1% annual increase, leaving retirees behind inflation.
- ❖ Based on August 2013 CPI-U of 1.52% was available.
- ❖ 1% COLA goes into effect March 1, 2014 for eligible retirees.

Should Changes Be Considered?

HayGroup®

Market Competitiveness – Total Compensation

- The State's **total compensation** program is below market average when compared to both the Private Sector and Public Sector Markets. Below are key findings regarding specific aspects of the State's compensation program:
 - **Cash compensation** for State employees lags the Private Sector by an average of 29%. The State generally trails their counterparts in other States by an average of 10%
 - **Benefits** are at or above the market average of both markets for all employees driven by strong retirement and health care programs
 - **Total Compensation** is below the market average in the Private and Public Sector Markets, as the higher benefits program value does not offset the low cash compensation.
 - **Pay Mix** for State employees varies against the market depending on salary.
 - **Note:** Only those components of pay provided by the State are included in total compensation. It is common in the private sector to pay annual incentives, which if included would make the State less competitive relative to the Private Sector Market





Thank you for taking time to learn about PERSI
and the current pension environment.

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Q & A

www.persi.idaho.gov