



Commitment

Competence

Character

PERSI CEC Presentation

Don Drum, PERSI Executive Director

January 8, 2015

Calendar Year End Status

PERSI INVESTMENT REPORT

Month to Date Report

December 31, 2014

CURRENT VALUE OF THE FUND	\$	14,708,696,328
FISCAL YEAR NET CHANGE IN ASSETS	\$	22,113,232
FISCAL YEAR TO DATE RETURNS		0.5%

UAAL - July 1, 2014

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

PERSI Status as of 07/01/2014

Actuarial Accrued Liability	14,736.5
Market Value of Assets	13,833.1
Unfunded Actuarial Accrued Liability	903.4
Funded Ratio	93.9%

Does not reflect the Board's October COLA decision

Estimated UAAL - December 31, 2014

Inputs

Date for calculation of UAAL
 Asset Return Year to Date (Net of Expenses)
 Total March 1, 2015 COLA

12/31/2014
0.50%
1.70%

PERSI Status as of 07/01/2014

Actuarial Accrued Liability	14,736.5
Market Value of Assets	13,833.1
Unfunded Actuarial Accrued Liability	903.4
Funded Ratio	93.9%

PERSI Status as of 12/31/2014 with COLA and ROPP

Actuarial Accrued Liability	15,223.2
Market Value of Assets	13,777.3
Unfunded Actuarial Accrued Liability	1,445.9
Funded Ratio	90.5%

PERSI's unfunded liability peaked in 2009

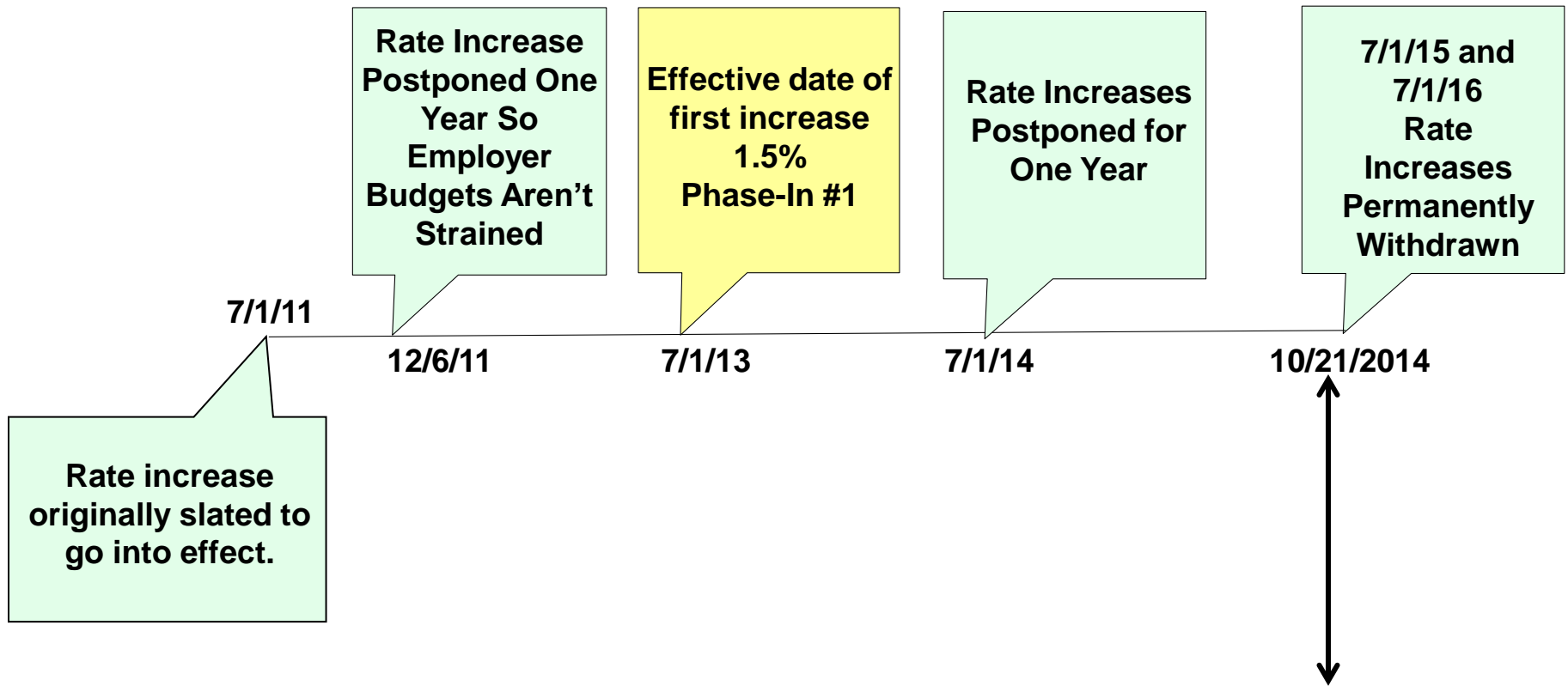
Fiscal Year-end	FUNDED RATIO	UAAL	AMORTIZATION PERIOD
2009	74.1%	\$3.0 B	100+ years
2010	78.9%	\$2.5 B	17.5 years
2011	90.2%	\$1.3 B	8.2 years
2012	84.7%	\$2.1 B	14.8 years
2013	85.3%	\$2.1 B	13.1 years
2014	93.9%	\$903 M	5.5 years

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 (UAAL) exceeds 25 years.
 - ◆ 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.

Contribution Rates

Future Rate Increases Eliminated



Legislative action not required.

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%

Historical Contribution Rates

Year	Employer	Fire/Police Employee	General Employee
1996	11.64	8.53	6.97
1997 (Temp)	11.64 / 9.80	8.53/7.21	6.97/5.86
1998 (Temp)	11.64 / 9.80	8.53/7.21	6.97/5.86
1999 (Temp)	11.64 / 9.80	8.53/7.21	6.97/5.86
2000	9.8	7.21	5.86
2001	9.8	7.21	5.86
2002	9.8	7.21	5.86
2003	9.8	7.21	5.86
2004	10.43	7.65	6.23
2005	10.43	7.65	6.23
2006	10.43	7.65	6.23
2007	10.43	7.65	6.23
2008	10.43	7.65	6.23
2009	10.43	7.65	6.23
2010	10.43	7.65	6.23
2011	10.43	7.65	6.23
2012	10.43	7.65	6.23
2013	11.36	8.36	6.79
2014	11.36	8.36	6.79

Cost of Living Adjustment (COLA)

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 had only allowed a 1% annual increase, leaving retirees behind inflation.

2014 Cost of Living Adjustment (COLA)

❖ 3 General Components

- ◆ Mandatory 1% - dependent upon CPIU
- ◆ Discretionary - dependent upon CPIU
 - CPI-U for 2014 was 1.7%
- ◆ Retro (Restoration of Purchasing Power)

❖ **PERSI's Board approved up to 4% COLA for retirees.**

- ◆ 1% mandatory
- ◆ .7% left from CPI-U
- ◆ 2.3% left from previous years
 - To be divided among eligible retirees based on time of retirement

Things to Expect, Going Forward

❖ GASB 68 Implementation - No Material Change

- ◆ UAAL now being called NPL (Net Pension Liability)
 - Calculated slightly differently than UAAL
- ◆ NPL being split out for individual employers to report

❖ Pressure to Change PERSI

- ◆ Proceed with caution
- ◆ All retirement systems are not the same

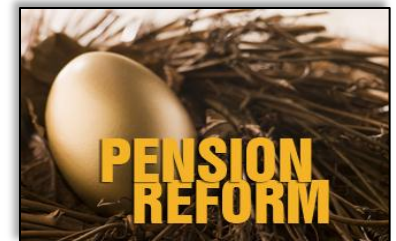
Idaho Code governs PERSI.



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

Should changes be considered?

- ❖ 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.
 - ◆ PERSI above PEW's 80% solid performer threshold FY11, FY12, FY13 & FY14.
 - ◆ UAAL & amortization period trending downward
- ❖ 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, PERSI's 7% is among the lowest of the major public pension plans.



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

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Q & A

www.persi.idaho.gov