



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

2020 CEC PRESENTATION

January 3, 2020

WELCOME

I will be discussing the following topics:

- ✓ Idaho statute 59-1301
- ✓ 2019 fiscal year-end status
- ✓ Market volatility & impact
- ✓ Contribution rates
- ✓ Idaho statute – Cost-of-living adjustment 59-1355
- ✓ New highs in November
- ✓ Cost-of-living adjustments (COLA)
- ✓ Retro cost-of-living adjustments (COLA)
- ✓ End of year update – New asset highs
- ✓ Past & future
- ✓ Amortization history & current status
- ✓ Looking ahead



IDAHO STATUTE 59-1301

Plan Sponsor: Legislature makes benefit changes.

Plan Administrator: Retirement Board makes funding decisions.

In 1963, the 37th Legislature created PERSI in Idaho Statute 59-1301 (2), establishing itself as the Plan Sponsor.

The Legislature's intent was to provide long-term retirement benefits for Idaho's career governmental employees while mitigating future risk to state, county, and local government.

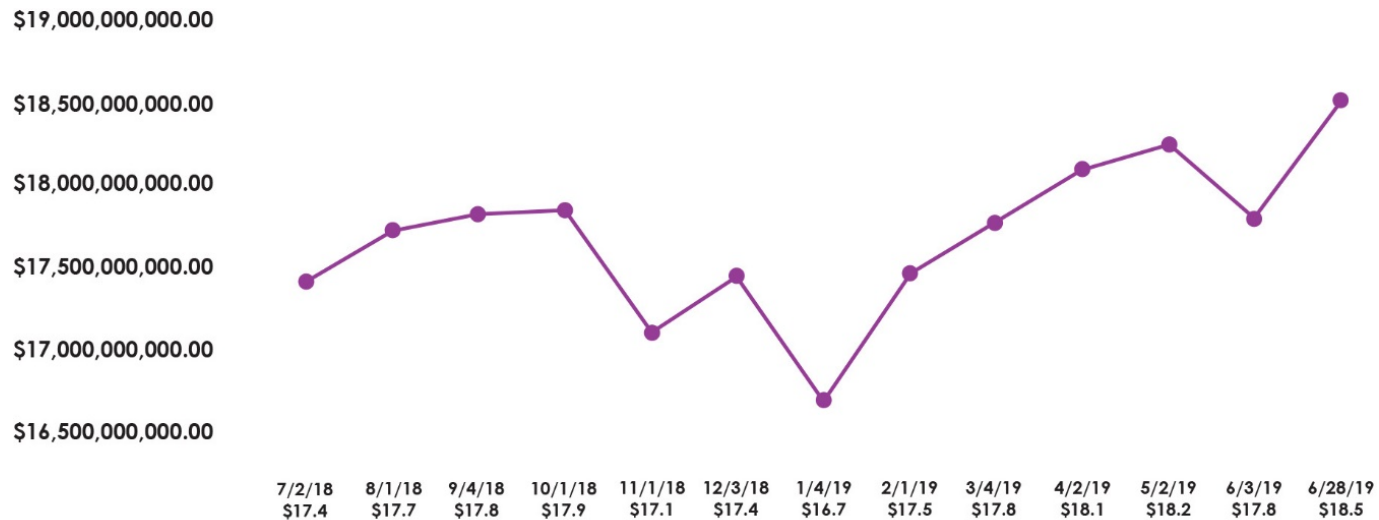


2019 FISCAL YEAR-END STATUS

AS OF JUNE 28, 2019*

CURRENT VALUE OF THE FUND	\$	18,519,408,054
FISCAL YEAR NET CHANGE IN ASSETS	\$	1,065,979,261
FISCAL YEAR TO DATE RETURNS		8.4%
MONTH TO DATE RETURNS		4.4%
FUNDED STATUS		92.5%
AMORTIZATION PERIOD		10.6 YEARS

2019 FISCAL YEAR



TOTAL REVENUE:** \$2,053,456,755

BENEFITS PAID: \$922,112,001

MARKET VOLATILITY & IMPACT

DOW JONES DURING THE LAST THREE YEARS



BREAKDOWN OF PERSI FUND INVESTMENT

55% US Equity | 15% EAFE (Europe, Australasia & Far East) | 30% US Bond

CONTRIBUTION RATES

	PUBLIC SAFETY		GENERAL MEMBER	
YEAR	EMPLOYER(%)	EMPLOYEE(%)	EMPLOYER (%)	EMPLOYEE(%)
2019	12.28	8.81	11.94	7.16
2013-2018	11.66	8.36	11.32	6.79
2004-2012	10.73	7.65	10.39	6.23
1997-2003	10.01	7.21	9.77	5.86
1994-1996	11.85	8.53	11.61	6.97

IDAHO STATUTE – COST-OF-LIVING ADJUSTMENT

- Idaho Statute 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.

During the 1990s, the Legislature and PERSI leadership developed guidelines regarding COLAs along with protecting retirees' purchasing power.

This resulted in the PERSI Board being instructed to safeguard the purchasing power of retirees while protecting the fund.

Guidelines recognize that the Board must have the flexibility to maintain a well-funded system and to provide the benefits outlined in Idaho Statute Title 59 Chapter 13.

Guidelines rank the goals of the Board in order of importance:

- 1) Maintain a well-funded status.
- 2) Maintain stable contribution rates.
- 3) Maintain purchasing power of retiree benefits.
- 4) If all above conditions are met, consider reducing contribution rates.

NEW HIGHS IN NOVEMBER

NOVEMBER 26, 2019*

CURRENT VALUE **\$19,306,272,559**

OF THE FUND

FISCAL YEAR NET **\$786,864,505**

CHANGE IN ASSETS

FISCAL YEAR TO **4.6%**

DATE RETURNS

MONTH TO DATE RETURNS **1.8%**

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, 2020 COLA

11/26/2019

4.60%

1.00%

PERSI Status as of 07/01/2019

Actuarial Accrued Liability	18,630.7
Market Value of Assets	17,239.5
Unfunded Actuarial Accrued Liability	1,391.2
Funded Ratio	92.5%

PERSI Status as of 11/26/2019 with user-input COLA

Actuarial Accrued Liability	18,958.6
Market Value of Assets	17,897.1
Unfunded Actuarial Accrued Liability	1,061.5
Funded Ratio	94.4%

COST-OF-LIVING ADJUSTMENT

FISCAL YEAR 2020

WITH MANDATED 1%

Inputs

Date for calculation of UAAL
Asset Return Year to Date (Net of Expenses)
Total March 1, 2020 COLA

7/1/2020
7.00%
1.00%

PERSI Status as of 07/01/2019

Actuarial Accrued Liability	18,630.7
Market Value of Assets	17,239.5
Unfunded Actuarial Accrued Liability	1,391.2
Funded Ratio	92.5%

PERSI Status as of 07/01/2020 with user-input COLA

Actuarial Accrued Liability	19,431.6
Market Value of Assets	18,107.5
Unfunded Actuarial Accrued Liability	1,324.1
Funded Ratio	93.2%

WITH MANDATED 1% & DISCRETIONARY .70%

Inputs

Date for calculation of UAAL
Asset Return Year to Date (Net of Expenses)
Total March 1, 2020 COLA

7/1/2020
7.00%
1.70%

PERSI Status as of 07/01/2019

Actuarial Accrued Liability	18,630.7
Market Value of Assets	17,239.5
Unfunded Actuarial Accrued Liability	1,391.2
Funded Ratio	92.5%

PERSI Status as of 07/01/2020 with user-input COLA

Actuarial Accrued Liability	19,509.9
Market Value of Assets	18,107.5
Unfunded Actuarial Accrued Liability	1,402.4
Funded Ratio	92.8%

RETRO COST-OF-LIVING ADJUSTMENTS

Public Employees Retirement System of Idaho Early Warning Calculations (All Dollar Amounts in Millions)

COLA Scenarios: March 2020 COLA Input by User

CPI Change from August 2018 to August 2019	1.70%
Automatic COLA	1.00%
Discretionary COLA [0.00% to 0.70%]	0.70%
ROPP COLA [0.00% to 4.76%]	4.76%
Total COLA	6.54%

Granted COLAs			
	Year	Amount	Cost (\$ millions)
Statutory	2019	1.00%	\$ -
Discretionary	2019	0.70%	73.2
ROPP #1	2011	1.77%	81.8
ROPP #2	2012	0.69%	35.8
ROPP #3	2013	0.52%	29.9
ROPP #4	2018	1.70%	153.7
Total		6.54%	\$ 374.4

Prior COLA Shortfalls		
	Year	Amount
ROPP #1	2011	1.77%
ROPP #2	2012	0.69%
ROPP #3	2013	0.52%
ROPP #4	2018	1.70%
Total		4.76%

	FY 2020 Asset Return (Net) *	Total Contribution Rate 7/1/19	Total Contribution Rate 7/1/20	Total Contribution Rate 7/1/21	Total Contribution Rate 7/1/21 +	Actuarial Accrued Liability Funded by PERSI	Market Value of Assets	Unfunded Actuarial Accrued Liability	Amortization Period (years)	Funded Ratio
6/30/2020 Early Warning										
A1. 7/1/2019 Valuation without 3/1/2020 discretionary COLA Assumes COLA on March 1, 2019 is the lesser of CPI and 1.00%	NA	19.42%	19.42%	19.42%	19.42%	\$18,630.7	\$17,239.5	\$1,391.2	10.6	92.5%
A2. 7/1/2019 Valuation with 3/1/2020 COLA input above Includes any ROPP or discretionary COLA, if input by user Future contribution rates input by user	NA	19.42%	19.42%	19.42%	19.42%	\$19,005.1	\$17,239.5	\$1,765.6	14.2	90.7%
Please input a value between 15.00% and 25.00%										
B. Projected 7/1/2020 Valuation with 2020 Discretionary COLA Total COLA & future contribution rates input by user above FY 2020 Asset Return Input by User	7.000%	NA	19.42%	19.42%	19.42%	\$19,832.2	\$18,107.5	\$1,724.7	13.2	91.3%

* Expected annualized return for 6/30/2020 fiscal year, net of expenses

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END OF YEAR UPDATE – NEW ASSET HIGHS

NOVEMBER 26, 2019 – Information used for COLA decision*

CURRENT VALUE OF THE FUND	\$	19,306,272,559
FISCAL YEAR NET CHANGE IN ASSETS	\$	786,864,505
FISCAL YEAR TO DATE RETURNS		4.6%
MONTH TO DATE RETURNS		1.8%

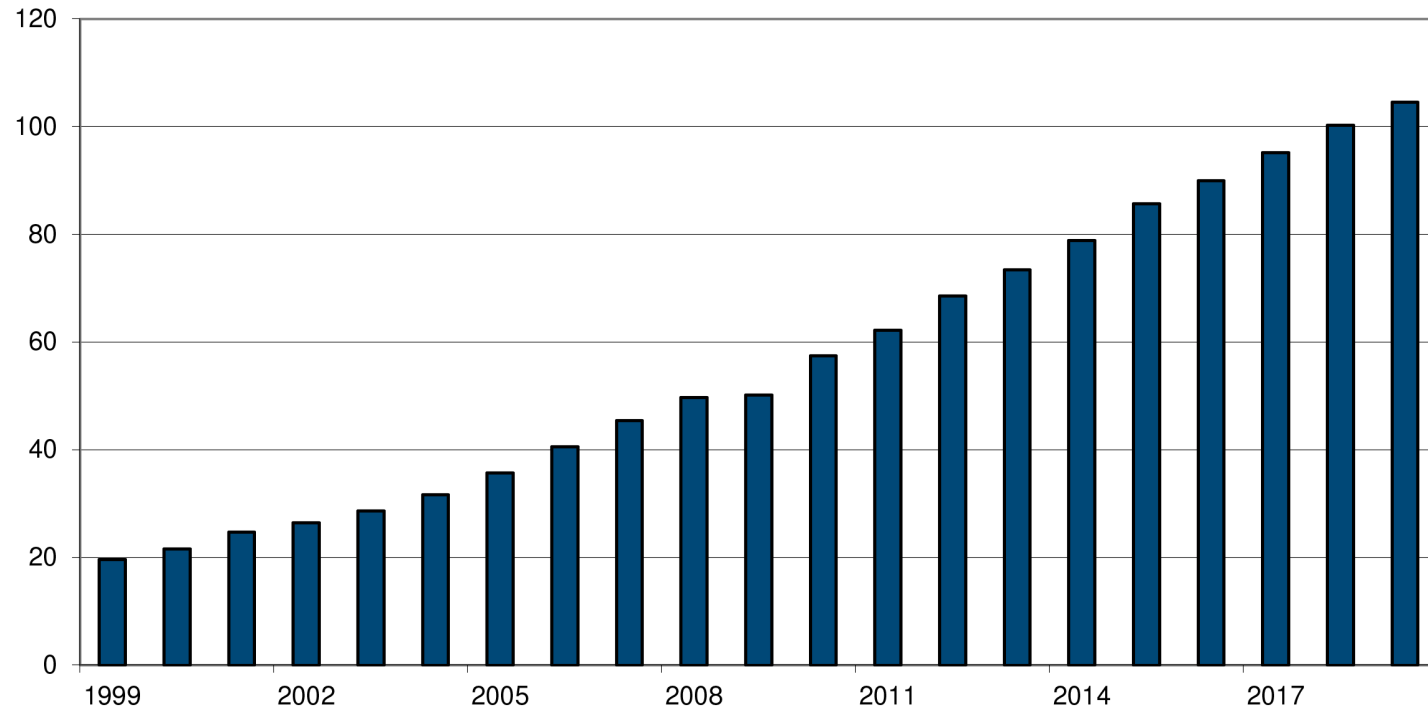
DECEMBER 26, 2019

CURRENT VALUE OF THE FUND	\$	19,650,044,499
FISCAL YEAR NET CHANGE IN ASSETS	\$	1,130,636,445
FISCAL YEAR TO DATE RETURNS		6.7%
MONTH TO DATE RETURNS		2.0%



PAST & FUTURE

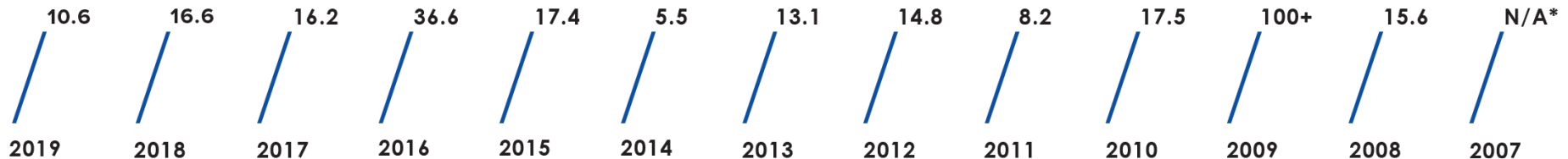
COST PER 1% OF DISCRETIONARY COLA



- COLAs are more expensive than they were in prior years.
- Past COLA practices will likely not sustain the fund and establishing a clear methodology concerning COLA is needed.

AMORTIZATION HISTORY & CURRENT STATUS

FISCAL YEARS



AS OF DECEMBER 30, 2019

Inputs

Date for calculation of UAAL
 Asset Return Year to Date (Net of Expenses)
 Total March 1, 2020 COLA

12/30/2019
6.66%
1.70%

PERSI Status as of 07/01/2019

Actuarial Accrued Liability	18,630.7
Market Value of Assets	17,239.5
Unfunded Actuarial Accrued Liability	1,391.2
Funded Ratio	92.5%

PERSI Status as of 12/30/2019 with user-input COLA

Actuarial Accrued Liability	19,108.9
Market Value of Assets	18,219.4
Unfunded Actuarial Accrued Liability	889.4
Funded Ratio	95.3%

*Fund had no amortization period since it was fully funded.

LOOKING AHEAD

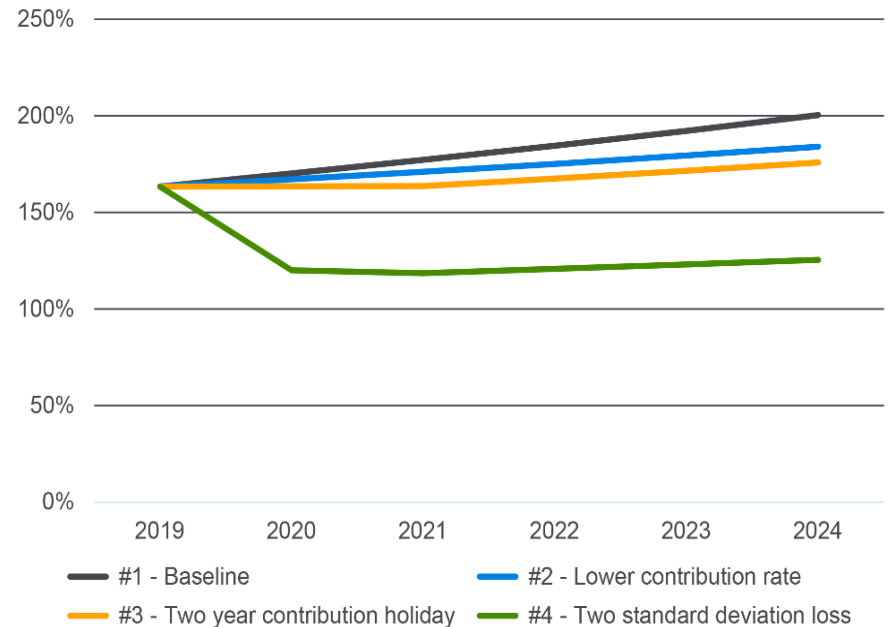
SICK LEAVE – SCHOOLS AND STATE

The weighted funded status of the sick leave plan is 163%; schools at 138% and the state at 227%.

An 18-month rate holiday will be implemented beginning January 1, 2020. At the conclusion of the rate holiday, the sick leave rate will go to the normal cost rate.

The Board will use any new information from PERSI actuaries for future considerations or adjustments to this plan.

PROJECTED FUNDED RATIOS – TOTAL SICK LEAVE SCHOOLS AND STATE



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Questions & Answers

**THANK YOU
FOR YOUR TIME & ATTENDING!**