



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

2021 CEC PRESENTATION

January 6, 2021

WELCOME

I will be discussing the following topics:

- ✓ During the past year...
- ✓ Idaho statute 59-1301
- ✓ 2020 fiscal year-end status
- ✓ Market volatility & impact
- ✓ Amortization history & current status
- ✓ As of December 23, 2020 snapshot
- ✓ Economic outlook
- ✓ Contribution rates
- ✓ Idaho statute – Cost-of-living adjustment 59-1355
- ✓ Sick Leave – Update



DURING THE PAST YEAR...

Even with the challenges of COVID-19, PERSI staff continue to work and assist members. We are happy to report that services at PERSI remain on-track and membership continues to receive the same level of customer service that is expected from PERSI.

We are following Governor Little's actions and CDC guidelines to promote a safe and healthy environment. PERSI has implemented these actions and guidelines for staff, members and the public, such as:

- WEARING FACE COVERINGS
- PHYSICAL/SOCIAL DISTANCING
- WASHING HANDS OFTEN
- SANITIZING WORK AREAS
- PROVIDING MEMBERS EFFECTIVE AND PRODUCTIVE WAYS TO MEET AND CONDUCT BUSINESS



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.

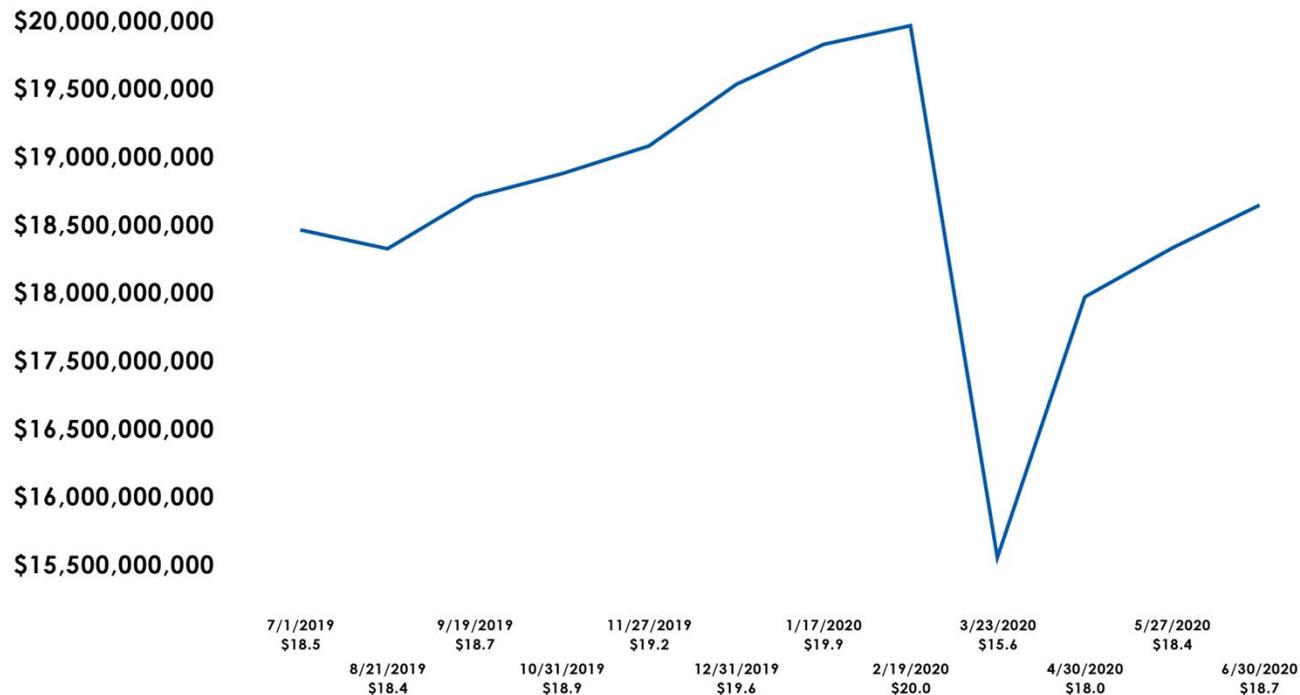


2020 FISCAL YEAR-END STATUS

AS OF JUNE 30, 2020*

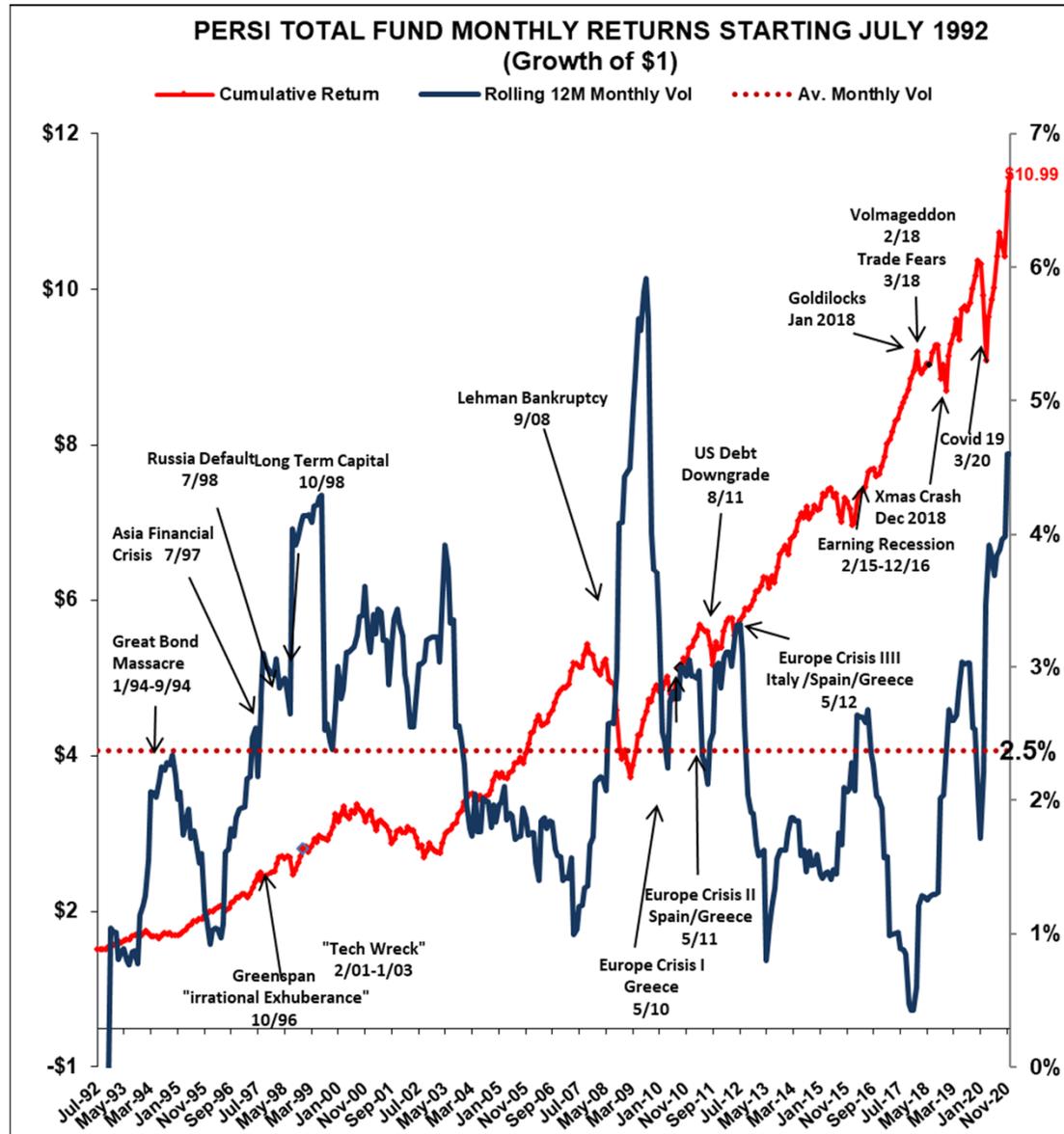
CURRENT VALUE OF THE FUND	\$18,717,043,990
FISCAL YEAR NET CHANGE IN ASSETS	\$197,635,936
FISCAL YEAR TO DATE RETURNS	3.1%
MONTH TO DATE RETURNS	1.7%
FUNDED STATUS	87.7%
AMORTIZATION PERIOD	20.5 YEARS

2020 FISCAL YEAR**



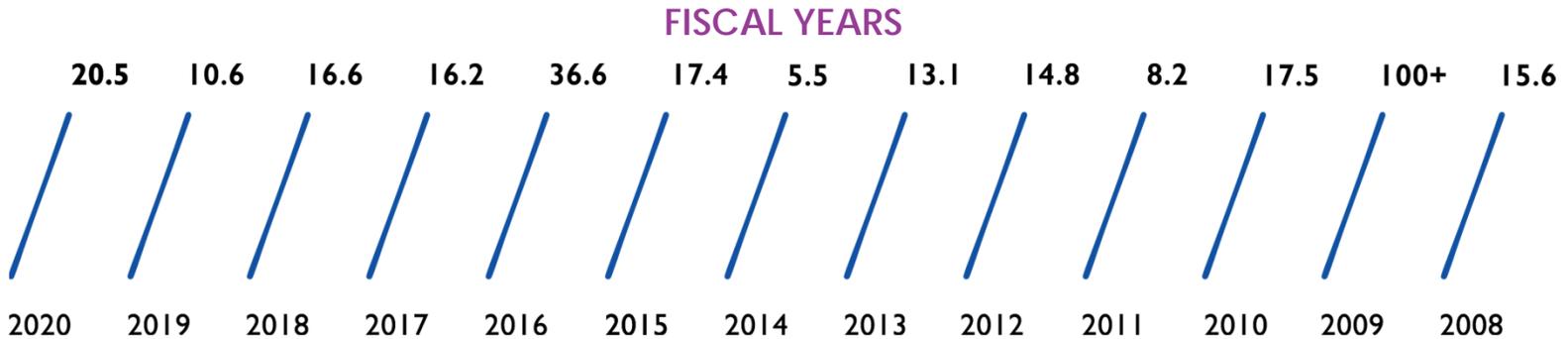
*Source: Daily Investment Report/06.30.2020/PERSI Chief Investment Officer
 **Source: Daily Investment Reports/FY2020/PERSI Chief Investment Officer

MARKET VOLATILITY & IMPACT



*Source: Daily Investment Report/12.25.2020/PERSI Chief Investment Officer

AMORTIZATION HISTORY & CURRENT STATUS



AS OF DECEMBER 28, 2020*

Projection Inputs

Projection Date 12/28/20

Asset Return Year to Date (Net of Expenses) for:

Fiscal Year Ending 7/1/2021 15.85%

PERSI Status as of 12/28/2020

With input 3/1/2021 COLA and contribution rate increases

Actuarial Accrued Liability	20,221.8
Market Value of Assets	19,943.8
Unfunded Actuarial Accrued Liability	278.0
Funded Ratio	98.6%
Amortization Period	1.7 years

*Source: UAL Model: Milliman; Daily Investment Report/12.28.2020/PERSI Chief Investment Officer



AS OF DECEMBER 23, 2020 SNAPSHOT

12/23/2020

		PERSI Portfolio					Sick Leave	
		Custodian: BNY Mellon					Custodian: State Street	
Total Market Value:		21,447,042,478					666,169,348	
Total No. of Shares/Units		55,453,813						
		DB	TRF	FRF	IFP	JRF	State	Schools
Fund Allocation Rate		92.60%	4.38%	2.36%	0.18%	0.47%	40.28%	59.72%
Assets		19,860,475,420	939,622,812	507,098,162	38,488,862	101,357,221	268,339,741	397,829,607
		No. of Shares/Units	51,351,560	2,429,504	1,311,161	99,517	262,071	
Returns								
Daily		0.24%	0.24%	0.24%	0.24%	0.24%	0.06%	0.06%
MTD		2.11%	2.11%	2.11%	2.11%	2.11%	1.53%	1.53%
FYTD Gross		15.33%	15.33%	15.33%	15.33%	15.33%	14.75%	14.75%
FYTD Net*		14.98%	14.98%	14.98%	14.98%	14.98%	14.70%	14.70%
CYTD		11.32%	11.32%	11.32%	11.32%	11.32%	11.70%	11.70%
Gross NAV		386.755055	386.755055	386.755055	386.755055	386.755055	492.670000	492.670000
Net NAV		380.918466						
Asset Allocation of Fund								
Cash		1.16%	1.16%	1.16%	1.16%	1.16%		
Equity		61.41%	61.41%	61.41%	61.41%	61.41%		
Fixed Income		27.31%	27.31%	27.31%	27.31%	27.31%		
Emerging Markets		10.12%	10.12%	10.12%	10.12%	10.12%		
Global Passive Equity/MSCI All Country ex-U.S.							11.55%	11.14%
US Passive Fixed Income/Govt Credit Index							47.11%	48.43%
US Passive Equity/Russell 3000 Index							41.34%	40.43%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Funding Ratio Net of Fees**		98.0%		175.0%		90.5%	262.4%	158.2%
Amortization Period in Years***		2.6				5.2		

*FYTD Net of Fees Return for DB, TRF, FRF, IFP, and JRF are based on estimated total fees equal to 35 basis points.

**Funding Ratio Net of Fees is estimated using Milliman modeling templates, which are based upon the most recent completed annual valuation. Estimates are prepared solely for internal informational purposes and are not intended for any other purposes.

***Plans with a funding ratio over 100% do not have an amortization period.



ECONOMIC OUTLOOK

WHAT'S THE IMPACT OF THE PANDEMIC ON CAPITAL MARKET ASSUMPTIONS?*

- **Short answer: none at this point**
- **Long answer: remind ourselves of the purpose of capital market expectations**
 - Long-term strategic assumptions to shape portfolios to honor investors' risk tolerance.
 - Create range of scenarios for expected 10-year outcomes; always include at least one recession.
 - If we alter our assumptions, are we then suggesting changes in portfolio design?
 - Specific scenario analysis more useful: shape of recovery.
- **What we're paying attention to**
 - Extent to which this shock becomes a financial crisis, and the shape of global economic recoveries.
 - Stock market—but it is not the economy, and V-shaped equity recovery may be ahead of itself.
 - Return of zero interest rate policy and the role of fixed income.
- **How might revisions take shape**
 - Equity markets are flat to modestly down year to date, bonds up 5-6%, economies moving toward recovery.
 - At least a year until we regain U.S. and global GDP levels, likely into 2022, same for employment.
 - Uneven recoveries around the globe suggest a U-shaped recovery most likely.
 - Equity returns supportable at 6-7% over 10 years, but that suggests a high premium over a more subdued outlook for fixed income.
 - Equity looks rich, but the stimulus efforts are certainly friendlier to future equity returns than to fixed income.

CONTRIBUTION RATES

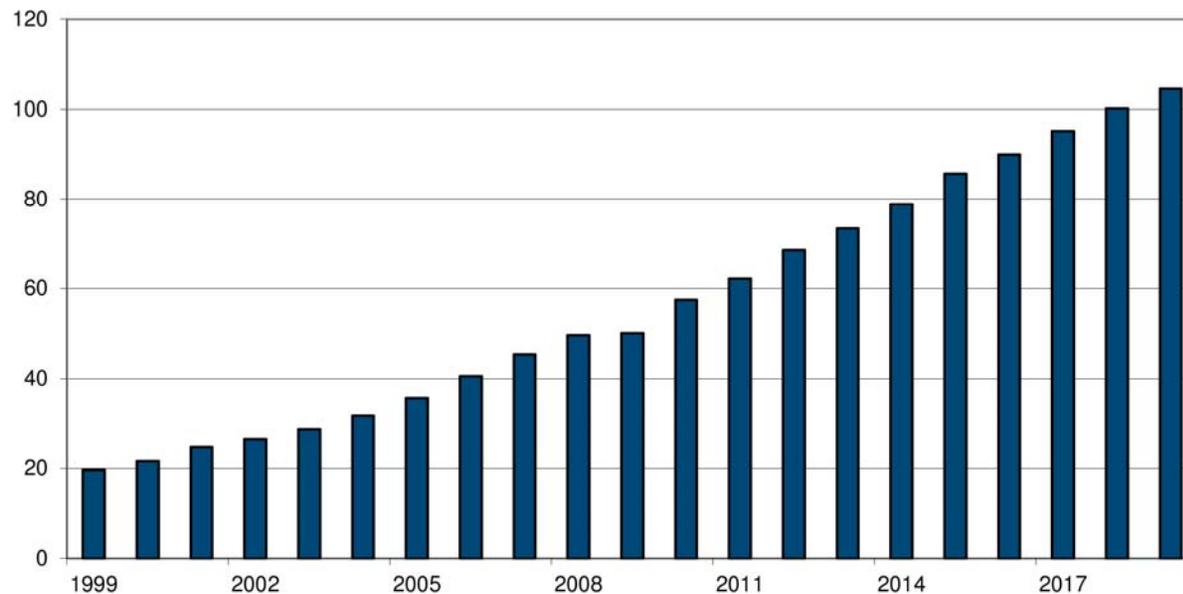
YEAR	PUBLIC SAFETY		GENERAL MEMBER	
	EMPLOYER(%)	EMPLOYEE(%)	EMPLOYER (%)	EMPLOYEE(%)
2019-present	12.28	8.81	11.94	7.16
2013-2018	11.66	8.36	11.32	6.79
2004-2012	10.73	7.65	10.39	6.23
1997-2003	10.01	7.21	9.77	5.86
1994-1996	11.85	8.53	11.61	6.97



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.
- Board currently working on updating PERSI funding guidelines which takes a conservative approach to COLA.

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.

Source: Milliman Valuation, September 2020

SICK LEAVE – UPDATE

SICK LEAVE RATE HOLIDAY EXTENDED FOR STATE & SCHOOL EMPLOYERS

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.

SICK LEAVE FUND 50/50 REBALANCE

At 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.





Questions & Answers

THANK YOU!