



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

2022 CEC PRESENTATION

January 19, 2022

WELCOME

I will be discussing the following topics:

- ✓ Fiscal year update
- ✓ What experts say about PERSI
- ✓ Board priorities, responsibilities, and decisions
- ✓ Current status
- ✓ Cost-of-living adjustments
- ✓ New class – School district employees
- ✓ Sick leave rate holiday – Background & update



DURING FISCAL YEAR 2021

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.

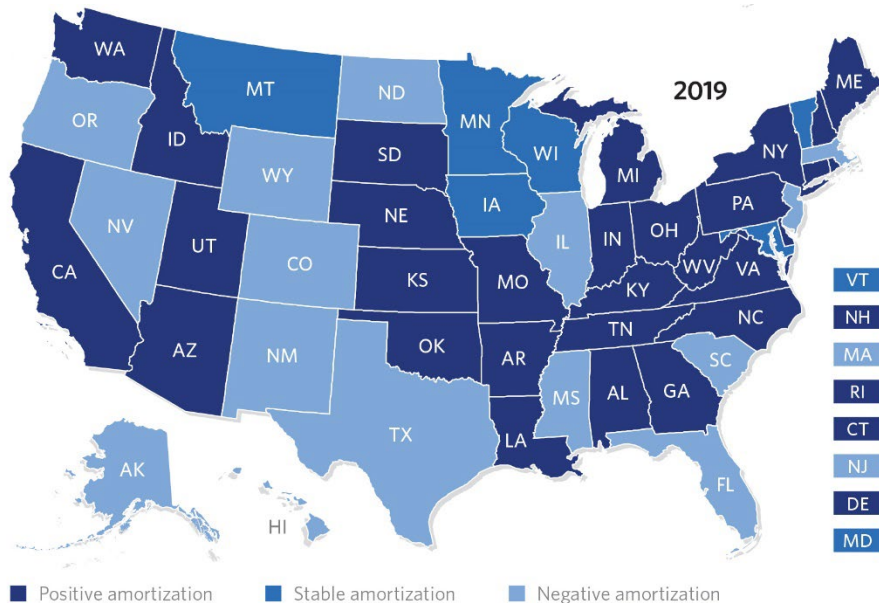
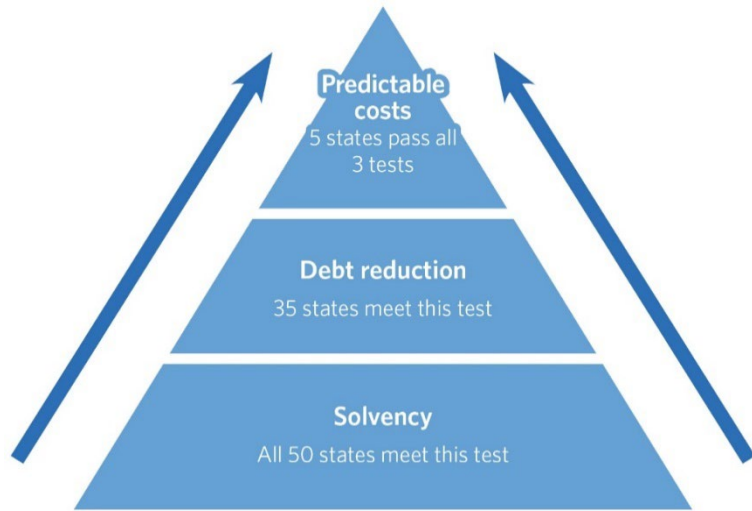
MARKET AND FUND UPDATE

- 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

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.*

<https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2021/12/pews-fiscal-sustainability-matrix-helps-states-assess-pension-health>

BOARD PRIORITIES, RESPONSIBILITIES AND DECISIONS

The Board's primary priority and responsibility is to protect the fund. The Board also has the following equally important goals:

- Contribution rates – keep rates stable for employers and members
- Actuarial assumptions – set realistic assumptions to predict future revenues and liabilities
- Cost-of-living adjustments (COLA) – address retirees' purchasing power

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

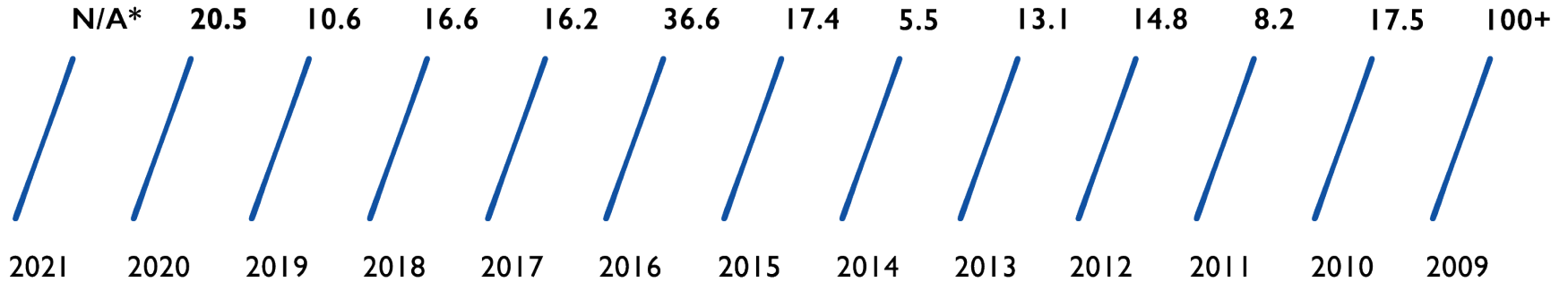
November 2021 – Board approved the creation of a new class. The new school district employee class may have a separate contribution rate from general members. This will be discussed by the Board.

December 2021 – Board granted a 2.5% discretionary cost-of-living adjustment along with the 1% legislatively mandated cost-of-living adjustment.

Decisions are made to stabilize contribution rates for members and employers, maintain the sustainability of the fund, for the present and future of Idaho's public employees, and recognize retirees' purchasing power.

CURRENT STATUS

AMORTIZATION HISTORY – FISCAL YEARS



CONTRIBUTION RATES HISTORY – FISCAL YEARS

YEAR	PUBLIC SAFETY		GENERAL MEMBER	
	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE
2021	12.28%	9.13%	11.94%	7.16%
2019-2020	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%

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

AS OF DECEMBER 31, 2021**

Projection Inputs

Projection Date	12/31/2021
Asset Return Year to Date (Net of Expenses) for:	
Fiscal Year Ending 7/1/2022	5.30%

PERSI Status as of 12/31/2021

With input 3/1/2022 COLA and contribution rate increases

Actuarial Accrued Liability	22,522.7
Market Value of Assets	22,716.6
Unfunded Actuarial Accrued Liability	(193.9)
Funded Ratio	100.9%
Amortization Period	N/A

**SOURCE: Milliman, Daily Investment Report 12/17/,
PERSI Chief Investment Officer

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. Past COLA practices will likely not sustain the fund and establishing a clear methodology concerning COLA is needed.
- COLAs are more expensive than they were in prior years.
- At the December 2021 Board meeting, the Board chose to grant a 2.5% discretionary cost-of-living adjustment along with the 1% legislatively man-dated cost-of-living adjustment. Discretionary COLA requires approval from the Idaho legislature.

RISING COSTS OF COLAs Cost per 1% of potential discretionary COLA



NEW CLASS – SCHOOL DISTRICT EMPLOYEES

At the November Board meeting, the Board approved the creation of a **THIRD CLASS** specifically for **School District Employees**.

Alternative #1	Safety	General	Teachers	Total
Current Rates	21.41%	19.10%		19.46%
Normal Cost Rate	20.31%	15.11%	17.53%	16.68%

WHO WILL BE CONSIDERED A SCHOOL DISTRICT EMPLOYEE?*

(31A) “**School employee**” means any employee of any school district or charter school employed as instructional staff, pupil service staff, professionally endorsed staff, and staff holding a certificate as determined in Section 33-1201A, Idaho Code, and school bus drivers and resource officers, subject to the provisions of section 59-1302(14), Idaho Code.

ANNUAL SAVINGS

If the proposed new class passes during the legislative session, this would result in a \$24 million savings annually for employees and employers.

*Proposed draft legislation for 2022 session.

SICK LEAVE RATE HOLIDAY – BACKGROUND & UPDATE

BACKGROUND

SICK LEAVE FUND 50/50 REBALANCE

In October 2020, 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.

SICK LEAVE RATE HOLIDAY EXTENDED FOR STATE & SCHOOL EMPLOYERS

In November 2020, 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 would have ended on June 30, 2022.

UPDATE

At the November 2021, the Board reexamined the sick leave rate holiday and whether it should be extended. After an in-depth discussion, the Board voted and passed unanimously to extend the rate holiday for schools to June 30, 2026 and state to June 30, 2031.



Questions & Answers

THANK YOU FOR YOUR TIME!