



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO
2023 SENATE COMMERCE & HUMAN RESOURCES

January 12, 2023

WELCOME

I will be discussing the following topics:

- ✓ Idaho Statute 59-1302(15) – Definitions
- ✓ Who participates
- ✓ Retiree benefit numbers
- ✓ Funds within PERSI
- ✓ Idaho Statute 59-1322(5) – Contribution rate adjustments
- ✓ New member class and PERSI Classes
- ✓ FY2022 funded status and Board decisions
- ✓ Idaho Statute 59-1355 and cost-of-living adjustments



IDAHO STATUTE 59-1302(15) – DEFINITIONS

WHO IS A PERSI EMPLOYER

Under Idaho Statute 59-1302(15) a PERSI employer:

"Employer" means the state of Idaho, or any political subdivision or governmental entity, provided such subdivision or entity has elected to come into the system.

Governmental entity means any organization composed of units of government of Idaho or organizations funded only by government or employee contributions or organizations that discharge governmental responsibilities or proprietary responsibilities that would otherwise be performed by government.

All governmental entities are deemed to be political subdivisions for the purpose of this chapter. Provided however, that on and after the effective date of this act, all new employers added to the public employee retirement system must be in compliance with internal revenue regulations governing governmental retirement plans.

WHO PARTICIPATES

As of June 30, 2022, there were 840 contributing employers and a total of 177,802 members. Additional information about membership:

PERSI EMPLOYERS

Cities and Counties: 204
Community Colleges and Public Schools: 188
State Offices and Departments: 101
Water and Irrigation Districts: 78
Fire Districts: 76
Highway Districts: 61
Library Districts: 30
Cemetery: 21
Sewer: 12
Other: 69
Total Employers: 840

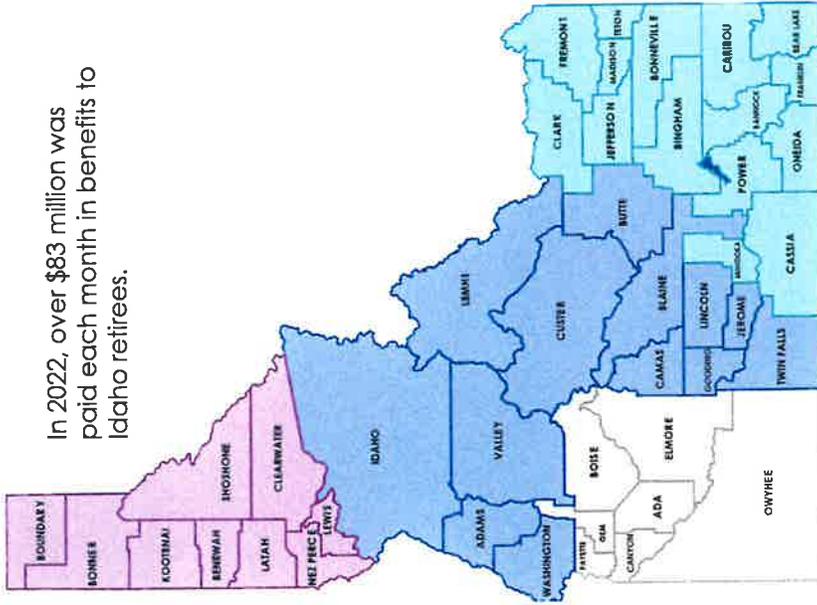
PERSI MEMBERSHIP

Contributing Active Members: 74,409
Receiving Benefits: 53,190
Vested Terminated Members: 15,489
Non-Vested Terminated Members: 34,714
Total Members: 177,802

Average Active Member
Age: 45.5
Annual Salary: \$52,283
Years of Service: 9.5

RETIREE BENEFIT NUMBERS

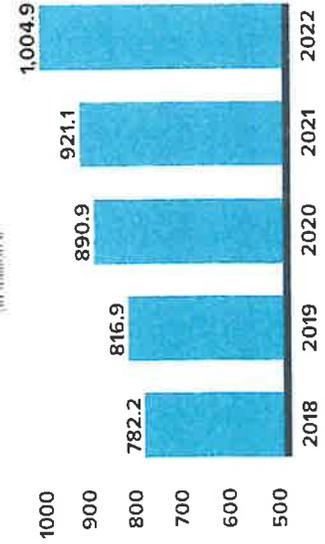
In 2022, over \$83 million was paid each month in benefits to Idaho retirees.



NUMBERS BY COUNTY

COUNTIES	2022 in millions	NUMBER OF RETIREES	AVERAGE MONTHLY BENEFIT	COUNTIES	2022 in millions	NUMBER OF RETIREES	AVERAGE MONTHLY BENEFIT
Boundary	5.09	333	\$1,273.77	Payette	10.74	546	\$1,639.19
Bonner	19.09	1,058	\$1,501.26	Gem	11.87	640	\$1,545.57
Kootenai	71.94	3,440	\$1,742.73	Boise	5.65	273	\$1,724.66
Benewah	5.42	310	\$1,456.99	Canyon	96.23	4,702	\$1,705.48
Shoshone	8.90	524	\$1,415.39	Ada	308.16	12,354	\$2,078.68
Latah	35.80	1,516	\$1,967.90	Elmore	13.47	705	\$1,592.20
Clearwater	8.75	470	\$1,551.42	Owyhee	4.29	288	\$1,241.32
Nez Perce	32.20	1,432	\$1,873.84	Minidoka	10.80	618	\$1,456.31
Lewis	3.99	218	\$1,525.23	Cassia	13.42	709	\$1,577.34
Idaho	8.95	541	\$1,378.62	Oneida	2.73	152	\$1,496.71
Adams	3.86	205	\$1,569.11	Power	4.86	254	\$1,594.49
Washington	8.22	452	\$1,515.49	Franklin	5.05	317	\$1,327.55
Valley	12.60	527	\$1,992.41	Bear Lake	4.20	267	\$1,310.86
Lemhi	5.78	345	\$1,396.14	Bannock	70.91	2,914	\$2,027.85
Custer	2.98	171	\$1,452.24	Caribou	4.17	250	\$1,390.00
Butte	1.42	105	\$1,126.98	Bingham	26.74	1,335	\$1,644.53
Camas	1.11	55	\$1,681.82	Bonneville	59.78	2,572	\$1,936.88
Blaine	12.10	468	\$2,154.56	Teton	2.80	151	\$1,545.25
Gooding	9.32	521	\$1,490.72	Madison	12.08	606	\$1,661.17
Lincoln	2.89	157	\$1,533.97	Jefferson	13.55	710	\$1,590.38
Jerome	8.96	477	\$1,565.34	Fremont	9.45	509	\$1,547.15
Twin Falls	43.97	2,070	\$1,770.13	Clark	0.74	43	\$1,434.11

BENEFITS PAID TO RETIREES IN IDAHO



- Over \$1 billion in benefits was paid to PERSI retirees living in Idaho.
- Average month benefit is \$1,807.00.
- In fiscal year 2022, there were 46,330 retirees living in Idaho.
- Idaho Legislature is the Plan Sponsor. PERSI is the Plan Administrator.
- Legislature makes benefit changes.
- Retirement Board makes funding and contribution rate decisions.



FUNDS WITHIN PERSI

In addition to the Base Plan, PERSI manages and separately accounts for the Choice 401(k) Plan, the Firefighters' Retirement Fund (FRF), the Judges' Retirement Fund (JRF), and the Sick Leave Insurance Reserve Fund.

The Sick Leave Insurance Retirement Fund is classified as a trust fund and is made up of two trust funds administered by PERSI – a trust for payment of school district employee benefits and a trust for payment of state employee benefits. The assets of the two trusts are commingled for investment purposes.

The fund exists for the payment of unused sick leave benefits in the form of insurance premiums for state and school district employees who separate from service by reason of retirement.

The monetary value of one-half of the unused sick leave is transferred from the sick leave account to the member's retirement account (the entitlement balance). The monetary value of the unused sick leave is based upon the rate of pay of the employee at the time of retirement.

IDAHO STATUTE 59-1322(5) – CONTRIBUTION RATE ADJUSTMENTS

EMPLOYER CONTRIBUTIONS — AMOUNTS — RATES — AMORTIZATION. (1) Each employer shall contribute to the cost of the system. The amount of the employer contributions shall consist of the sum of a percentage of the salaries of members to be known as the "normal cost" and a percentage of such salaries to be known as the "amortization payment." The rates of such contributions shall be determined by the board on the basis of assets and liabilities as shown by actuarial valuation, and such rates shall become effective no later than January 1 of the second year following the year of the most recent actuarial valuation, and shall remain effective until next determined by the board.

- If a valuation shows an amortization above twenty-five (25) Years, the Board must propose a contribution rate increase for all classes to reduce the amortization period.
- Grace periods may delay the rate up to one (1) year.
- No more than two (2) grace periods may be used in any four (4)-year period.

NEW MEMBER CLASS – SCHOOL DISTRICT EMPLOYER & EMPLOYEE

During fiscal year 2022, a new class was added to the PERSI system – school district employer and employees (SDE). Who is considered a school district employee? Any employee of any school district or charter school employed as instructional staff, pupil service staff, professionally endorsed staff, staff holding a certificate as determined under I.C. 33-1201, school bus drivers, and school resource officers, subject to the provisions of I.C. 59-1302(14).

The Board is aware of the changes occurring with the fund due to benefit enhancements of school district and public safety employees hence the new class. They are not opposed to benefit enhancements but are opposed to other members subsidizing other members benefits. The Board also notices that there is similar drifting occurring within the public safety class. They are watching closely.



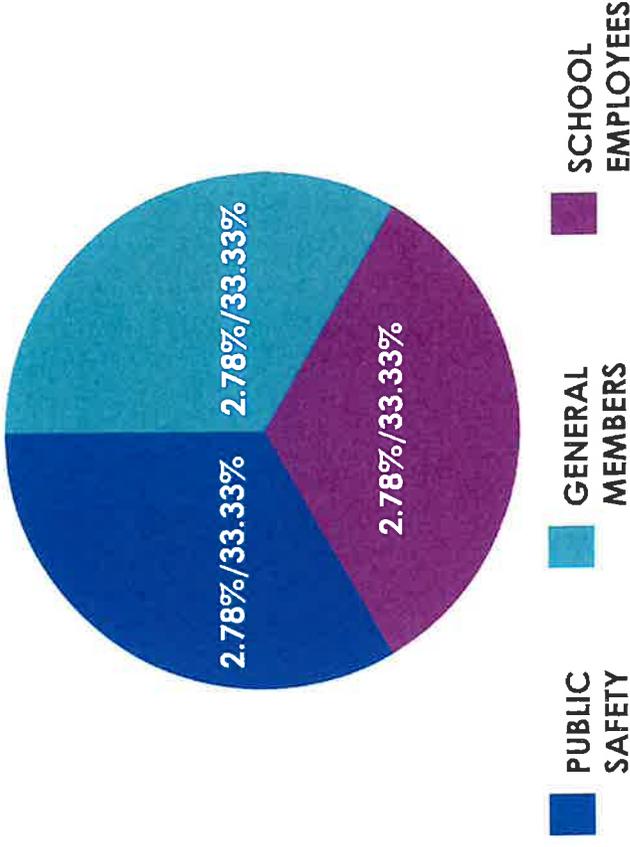
PERSI CLASSES EMPLOYER AND EMPLOYEE

There are three (3) classes within PERSI.

- Public Safety (Rule of 80)
- General Member (Rule of 90)
- School District Employee (new)

The Board chose to adjust contribution rates for public safety and general members, and a new contribution rate for the new school employee class.

The new rates ensure fairness for all members and be considerate of budget cycles. *Effective July 1, 2023.*



- **Unfunded Actuarial Accrued Liability (UAAL)** refers to the amount of money the fund needs to achieve full funding, or 100% retiree coverage. The contribution rate (employer + employee) is subtracted from the normal cost rate of each class resulting in the percentage paid on the UAAL for that class.

FY2022 CURRENT CONTRIBUTION RATES UNTIL JUNE 30, 2023

PUBLIC SAFETY		GENERAL & SCHOOL DISTRICT EMPLOYEE		
YEAR	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE
2019-present	12.28%	9.13%*	11.94%	7.16%

FY2022 FUNDED STATUS

During FY2022, the markets experienced tremendous volatility. This made many of us feel like the markets were on a roller coaster. The ups and downs were uncomfortable. However, how people react can often be more problematic. They see the ups and downs as a call for action. PERSI on the other hand has been there before. We know patience pays off and we are already beginning to see small improvements in the markets.

Since the fund ended fiscal year 2022 with an amortization period over twenty-five years and 82.6% funded, the Board was required to propose future contribution rate increases to reduce the amortization period to under twenty-five years. The increases will be phased in over a three-year period beginning FY2025 (July 1, 2024). The Board will review each year if the increases are still necessary.

In past years, the fund has been able to bounce back. In some cases, proposed contribution rates have either been postponed and/or canceled. Due to current market conditions and global events, it is nearly impossible to predict or estimate what the funded status will look like a year from now.

FUNDED STATUS AS OF JULY 1, 2022

- Fund value: \$19,915,745,533
- Funded status: 82.6%
- Amortization period: Over 100 years



BOARD DECISIONS – FY2024 CONTRIBUTION RATES & PROPOSED

FAIRNESS ADJUSTMENT The Board chose to adjust contribution rates for public safety and general members, and a new contribution rate for the new school employee class. The new rates ensure fairness for all members and be considerate of budget cycles. Effective July 1, 2023.

FY2024 CONTRIBUTION RATES (FAIRNESS ADJUSTMENT) AS OF JULY 1, 2023

		PUBLIC SAFETY		GENERAL MEMBER		SCHOOL EMPLOYEE	
YEAR	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE	EMPLOYEE
2023	13.26%	9.83%	11.18%	6.71%	12.69%	7.62%	

FUTURE CONTRIBUTION RATES* – Proposed future contribution rate increases to be phased in over a three (3) year period beginning FY2025 (July 1, 2024). The Board will review each year if the increases are still necessary.

PROPOSED FUTURE FY2025 CONTRIBUTION RATES BEGINNING JULY 1, 2024

		PUBLIC SAFETY		GENERAL MEMBER		SCHOOL EMPLOYEE	
YEAR	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE	EMPLOYEE
FY2025	13.98%	10.36%	11.96%	7.18%	13.48%	8.08%	

BOARD DECISIONS – PROPOSED FOR FY2026 & FY2027

PROPOSED FUTURE FY2026 CONTRIBUTION RATES BEGINNING JULY 1, 2025

		PUBLIC SAFETY		GENERAL MEMBER		SCHOOL EMPLOYEE	
YEAR		EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE
FY2026		15.44%	11.40%	13.53%	8.11%	15.04%	9.02%

PROPOSED FUTURE FY2027 CONTRIBUTION RATES BEGINNING JULY 1, 2026

		PUBLIC SAFETY		GENERAL MEMBER		SCHOOL EMPLOYEE	
YEAR		EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE
FY2027		17.62%	12.97%	15.87%	9.52%	17.38%	10.43%

REMINDER: Per Idaho Statute 59-1322(5)

- If a valuation shows an amortization above twenty-five (25) Years, the Board must propose a contribution rate increase for all classes to reduce the amortization period.
- Grace periods may delay the rate up to one (1) year.
- No more than two (2) grace periods may be used in any four (4)-year period.

COST-OF-LIVING ADJUSTMENTS – IDAHO STATUTE 59-1355 MANDATORY AND DISCRETIONARY

Cost-of-living adjustments are tied to the Consumer Price Index (CPI-U) for 12 months ending in August of a current year. By being tied to the CPI-U, COLA attempts to keep retirement payments equal with inflation and PERSI retirees purchasing power.

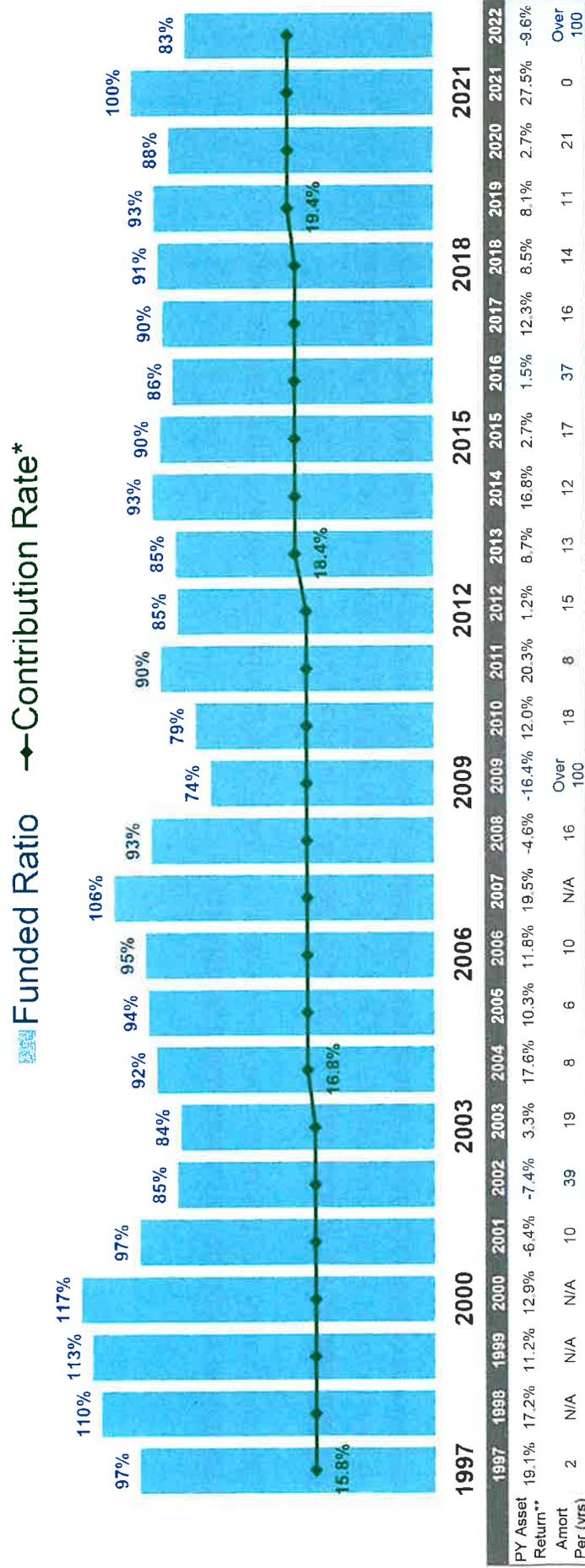
Idaho Statute 59-1355 provides a mandatory COLA ranging from -6% to 1% depending on the change in the CPI-U over the calculation period. This amount is not subject to legislative review.

If the CPI-U is greater than 1% and the PERSI Board finds that the fund's actuarial assets equal or exceed the actuarial liabilities, including the cost of any adjustment, the Board may recommend a discretionary COLA to bring the total COLA up to the CPI-U amount or to a **maximum** of 6% (mandatory 1% included in calculation).

Discretionary COLA must be reviewed by the Legislature and can either be amended or rejected through a concurrent resolution.

COST-OF-LIVING ADJUSTMENTS

HISTORICAL FUNDED RATIOS – OVER THE YEARS



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* Shows total aggregate contribution rate; i.e. the weighted average of the General, Teacher, and Safety employer plus member rates.

** Asset return for fiscal year ended in the year shown; net of investment expenses, but not net of administrative expenses.



Questions & Answers

THANK YOU FOR YOUR TIME!



