



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STRATEGIC PLAN
2010 - 2013

Table of Contents

Director's Message	1
Introduction	
Introductory Statement	2
PERSI Background and History	3
External Influences	4
The Planning Process	6
Strategic Plan Elements	
The Plan Framework: Values, Mission, and Vision	7
What Will be Accomplished, and How: Goals, Objectives, and Performance Measures	9

Message from the Director

Retirement security has become increasingly important over the years. With baby boomers beginning to retire, PERSI must be ready for the increased workload. At the same time, we must respond to the looming political and social debate over traditional pension plans. PERSI is one of a handful of pension systems that offers both a defined benefit and a defined contribution plan for its members, a strategic move made in 2001 to allow our members to take more responsibility for saving for their own retirement.



Each month PERSI pays approximately \$40,000,000 to retirees and beneficiaries. We must ensure a stable fund to continue paying those benefits as well as benefits for future retirees. PERSI invests employer and employee contributions to generate revenue so we can meet our benefit obligations. Despite recent market fluctuations, our investment strategy has remained the same: keep it *simple, transparent* and *focused*. This philosophy has proven effective over the years. Given our responsibility, it is imperative the PERSI management team and the entire staff have a comprehensive plan in place to help us stay on course and meet our obligations. Our strategic plan is based on four goals:

- Accurate, timely, and relevant information communicated to internal and external customers.
- Technology solutions optimized for and aligned with business-driven processes.
- An organizational structure that supports consistent, effective, and accountable operations.
- A staff that reflects character, commitment, and competence, resulting in professional service to our internal and external customers.

These goals, their importance, and our performance measures are detailed in the pages that follow. It is important that PERSI members are provided assurances that their retirement benefits will be there when needed. To do that, we must demonstrate our forward thinking and commitment to facing the challenges of the 21st Century.

Since 1963, PERSI has provided a safety net for hard working Idaho public employees. As President George W. Bush stated in 2006 after the passage of the Pension Protection Act, “After a lifetime of work, American workers have earned the opportunity to enjoy a secure retirement.” I believe after a lifetime of work, Idaho public employees deserve a secure retirement. My team is dedicated to making PERSI a strong, secure pension system with the ability to protect and pay benefits far into the future.

A handwritten signature in black ink, appearing to read "Donald D. Drum". The signature is fluid and cursive, with a long horizontal stroke at the end.

Donald D. Drum
Executive Director

Introduction

The overarching goal of strategic planning was to create a document that would guide the future success of the Public Employee Retirement System of Idaho (PERSI). The resulting plan is intended to be both prescriptive of specific actions and adaptive to changing circumstances.

In modern navigation, Global Positioning Systems (GPS) are the primary tool for helping reach one's destination. A GPS helps you determine 1) where you are, 2) what direction you are going, and 3) the course to follow to reach your destination. The PERSI Strategic Planning Committee adopted this concept in the development of the agency's strategic plan, and accordingly named the plan GPS: Guide to PERSI Success.

The GPS will align and coordinate all PERSI activities and make it possible to deliver the highest level of professional service.

HISTORICAL OVERVIEW

The Public Employee Retirement System of Idaho (PERSI) was created in 1963 by the Idaho Legislature with funding effective July 1, 1965. Since that time, PERSI has provided a Defined Benefit (DB) plan designed to provide secure, long-term retirement benefits for career public service employees. PERSI became the plan administrator for a 401(k) Defined Contribution program in 1995 and immediately began offering it to employees of the State of Idaho as a supplement to the DB plan. In 2001, the original plan evolved into what is today known as the Choice 401(k) Plan.

ORGANIZATION AND GOVERNANCE

Retirement Board

PERSI is directed by a five-member Retirement Board. The Trustees are appointed by the Governor of the State of Idaho for 5-year terms. These appointments are subject to legislative confirmation. State law requires that two members of the Board be active PERSI members with at least 10 years of service.

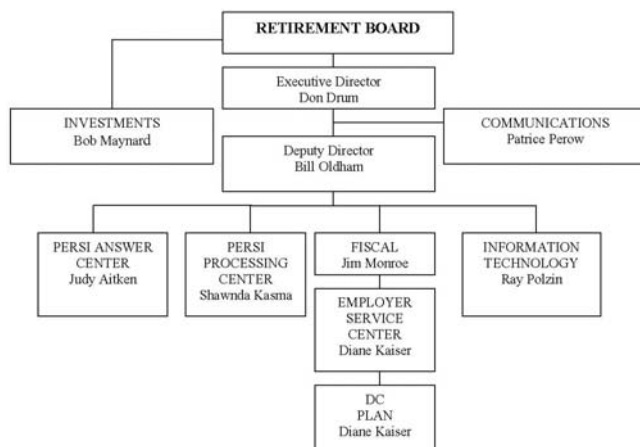
Current Board members:

Jody B. Olson, Chairman	Term expires July 1, 2012
Clifford T. Hayes	Term expires July 1, 2009
Jeff Cilek	Term expires July 1, 2010
J. Kirk Sullivan	Term expires July 1, 2011
William “Bill” Deal	Term expires July 1, 2013

PERSI Staff

PERSI currently employs 65 staff members operating from the headquarters office in Boise (60 employees) and field offices in Coeur d’Alene (2 employees) and Pocatello (3 employees).

PERSI Organization



EXTERNAL INFLUENCES

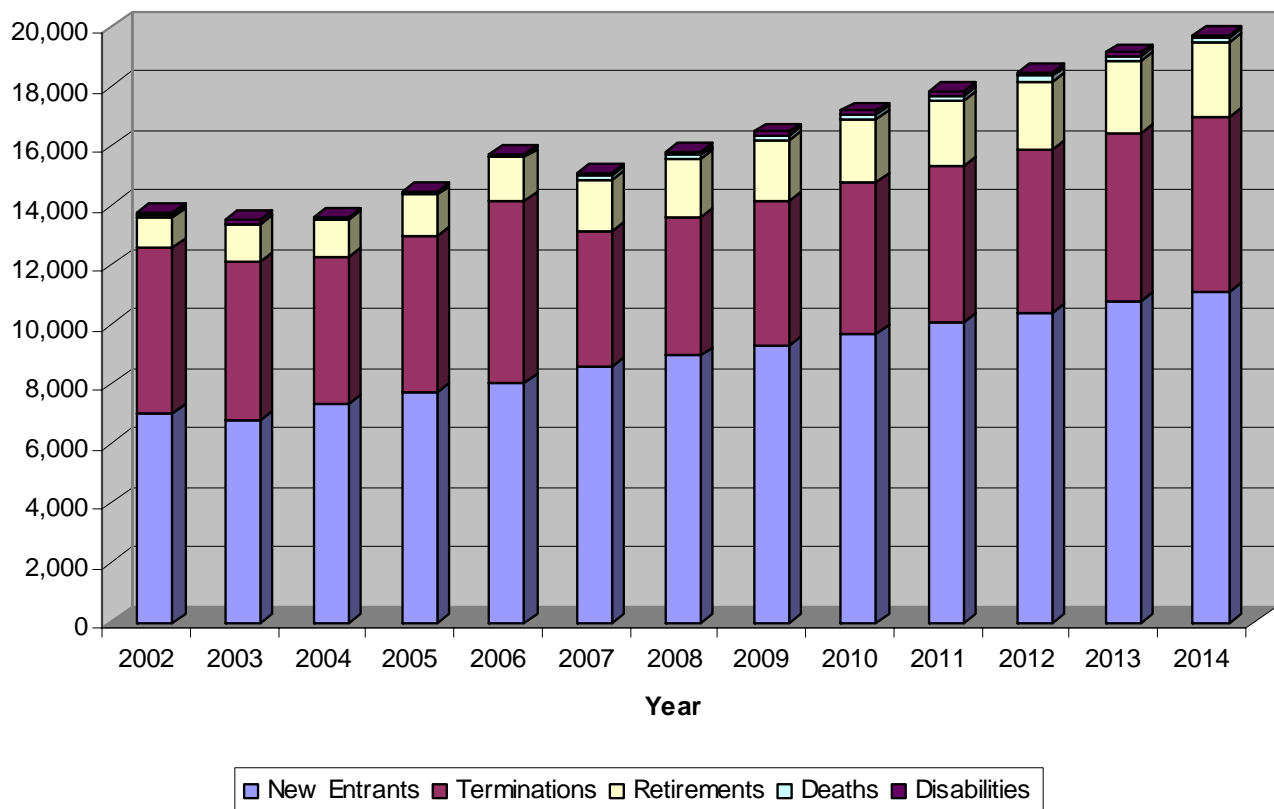
A number of external factors influence PERSI operations. Federal and state legislation, Internal Revenue Service (IRS) requirements, membership demographics, employers, legislators, the economy and its impact on investments, and a host of other external factors play a large role in the benefits and services offered by PERSI.

Growth and Diversity of PERSI Membership

PERSI has grown from a small organization of eight staff members serving about 5,500 active members in 1965 to a larger and more “mature” retirement system today. As of May 31, 2009, PERSI had 70,804 active members and 720 employers across the state. In addition, PERSI had 31,863 retirees and 21,351 inactive members. It is noteworthy that PERSI has added only two additional staff over the past 5 years despite tremendous growth and increased workload. PERSI has adopted a “do more with less” approach to business.

The following chart shows past and projected growth in annual PERSI transactions over a 13 year period. With baby boomers reaching retirement age, growth in retirements along with other transactions is projected to substantially increase in the coming years. PERSI cannot control this aging of our population but must be prepared to respond to it.

Number of Transactions





Effects of Investments on PERSI Trust Fund and Operations

PERSI is funded by a combination of investment earnings and contributions from employers and employees. The rise and fall of the stock market can have a profound impact on the PERSI trust fund. For Fiscal Years ending 2005, 2006, and 2007, the fund experienced phenomenal growth earnings with gross returns of 10.9 percent, 12.3 percent and 20.0 percent respectively. In 2008, with returns of -4.2 percent, PERSI had its first negative fiscal year since 2004. Continuing market volatility caused a significant and rapid drop in the value of the fund, bringing it down by nearly 33 percent over a 7-month period beginning in September 2008. By April 2009 the fund began recovering. As of May 31, 2009, the fund was down 16.1 percent, but with a 5.7 percent gain for the month. PERSI has regained nearly half of what was lost, and expects to end FY09 with approximately a 15 percent loss. For the first time in 5 years, the Retirement Board will consider a contribution rate increase to reduce PERSI's unfunded liability.

PERSI's objective is to minimize the effect of external influences whenever and wherever possible by diversifying among a wide range of domestic and international asset classes and investment management styles. With billions invested worldwide, PERSI does everything possible to manage risk to the fund. It is, however, impossible to predict or control the rise and fall of world markets; therefore, PERSI funding levels are very much subject to market fluctuations. Regardless of changes in the global economy, PERSI remains steadfast in its investment philosophy: **SIMPLE** – control liabilities and rely on market returns with 70/30 equity/fixed mix; **TRANSPARENT** – easy to understand and explain, concentrate on broad structures and strategies, and no black box investing; **FOCUSED** – look at the big picture over the long term, concentrate on material impacts on overall portfolio, and maintain a small staff and citizen board.

Technology

Rapidly changing technology challenges PERSI's ability to meet member needs and expectations. To a large degree, the marketplace shapes member expectations of PERSI's online services and influences decision-making about the technologies needed to conduct business in the 21st Century. Although PERSI systems have generally kept pace with information technology (IT) advancements, most recently with a digital imaging and automated workflow system, staying ahead of member expectations is imperative. Since fall of 2001, the PERSI IT team has provided all support and maintenance of the PERSI database software, including implementation of more than 1700 system and database changes to correct system programming errors and to incorporate legislative changes impacting PERSI membership. The system has been in the final phase of its System Development Life Cycle for several years, and now requires significant resources and hard-to-find skill sets to maintain its core functionality. This year, PERSI asked for and received approval from the Governor and Legislature for \$500,000 to perform a comprehensive analysis of the agency's IT business requirements and to identify an appropriate replacement for the current system. The initial steps in this multi-phased project will identify a system capable of meeting both current and future business needs, and allow PERSI to meet the challenge of a rapidly growing public retiree population.



Federal Law and Regulation Changes Regarding Retirement Plan Qualifications

PERSI is a tax-qualified retirement plan as designated by the Internal Revenue Service (IRS). To maintain this status, PERSI must respond quickly and accurately to changes in federal laws and regulations from the IRS and Department of Labor. This has become increasingly important as public retirement plans gain national visibility and the IRS attempts to equitably apply

regulations to private and public retirement plans. Government regulations, however, are often written without knowledge of the basic differences between public and private retirement plans. It is therefore critical for PERSI to pay constant attention to the efforts of these agencies and to understand the impact changes will have on the system and its members.

THE PLANNING PROCESS

A Planning Committee comprised of department managers and PERSI's project coordinator commenced work on a strategic plan in March 2009. The process began by defining the agency's Values, Mission, and Vision. These established the framework for building the various elements of the plan.

Next, the Planning Committee conducted an Environmental Assessment: an analysis of PERSI's Strengths, Weaknesses, Opportunities, Threats, and Trends (i.e., SWOTT analysis). The SWOTT analysis identified the agency's critical success factors. These factors guided the development of outcome-oriented goals. Objectives defining how each goal would be attained and managed were created to ensure optimized coordination and implementation. Performance Measures were established to enable PERSI to gauge its success in reaching its goals. An accompanying Performance Measurement Plan was drafted to define the timeframe, responsibilities, and audience for each measure.

Immediately upon inception of the agency-wide plan, business unit-specific action plans will be completed. These plans will allow each area of the organization to determine the activities and tasks that must be followed for PERSI to achieve its goals. Action Plans detailing the steps and responsibilities of each business unit will serve as the primary management tool for implementing these plans.

To engage the entire agency and its stakeholders in the development and implementation of the strategic plan, the Planning Committee created a Communication and Input Plan. This plan invited feedback from staff and promoted buy-in among the agency's many stakeholders, further strengthening the quality of the strategic plan. Upon implementation, stakeholders understood the factors driving the plan and became familiar with how implementation would occur.

Strategic Plan Elements

THE PLAN FRAMEWORK: VALUES, MISSION, AND VISION

VALUES

Values are the foundation upon which all PERSI performance is built. PERSI staff will integrate core values into their day-to-day business operations, resulting in exceptional service to members and internal customers.

Three core values (3 Cs) - **Commitment, Character, and Competence** – were carefully selected and agreed upon as the basis for providing professional service. They are depicted in the graphic below.



The Planning Committee developed the following statements to clearly define each of the 3 Cs:

Commitment

- 1) Producing the highest level of quality possible, always seeking to exceed customer expectations while staying within our ethical and internal control boundaries.
- 2) Focusing on the continuous improvement of our processes and services to meet future challenges and opportunities.
- 3) Jumping into challenging assignments.
- 4) Carefully discovering what is needed and wanted, seeking to “do it right” the first time.
- 5) Seeking solutions to problems/mistakes immediately, and following through until they are resolved. Learning from them for next time.



Character

- 1) Communicating in a positive, courteous, compassionate manner.
- 2) Treating all customers (internal and external) with the same level of respect and dignity, despite their individual characteristics/backgrounds/circumstances or your personal values/beliefs.
- 3) Listening to and understanding people's concerns and problems without taking anything they say personally.
- 4) Acting in an ethical and honest manner in all endeavors. Maintaining the highest level of confidentiality and security with respect to members and their account information.
- 5) Cultivating the trust of coworkers, members and employers by taking ownership of and responsibility for our actions and their results.
- 6) Conducting yourself in a professional manner in speech and appearance.
- 7) Taking pride in your work area – keeping it clean and orderly.

Competence

- 1) Learning every aspect of the job.
- 2) Recognizing when additional information or training is needed to ensure you have the knowledge and skills needed to do the job.
- 3) Taking action only to your current level of expertise and authority.
- 4) Focusing on what needs to be done and differentiating between what is and is not part of PERSI's core functions.
- 5) Performing duties in an accurate and timely manner that ensures our members receive the service and benefits to which they are entitled.

MISSION

The Mission describes PERSI's *current purpose*.

**To provide a sound retirement system
and high quality service and education
to help Idaho public employees build a secure retirement.**

VISION

This defines PERSI's *ideal future* four years from now.

**To be the premier public retirement system,
respected by customers, peers, and the community,
and known for professional service, technological advancement, and fund stability.**



WHAT WILL BE ACCOMPLISHED, AND HOW: GOALS, OBJECTIVES, AND PERFORMANCE MEASURES

Goals represent *what will be accomplished* to reach the vision. To be effective, goals must focus on the long-term desired outcomes or achievements of the agency. Four goal themes emerged for PERSI: **Communication, Technology, Organizational Structure, and Staff Development.**

Objectives (aka strategies) define *how the goals will be achieved*. Department-specific strategies that align with the agency-wide direction will be developed and implemented by respective managers and staff.

Performance measures are tools for gauging success in achieving goals. Often, performance measures must be sensitive enough to discern the impact of individual objectives; but they are ultimately designed to track progress on reaching the outcomes defined by the goals. The performance measures include annual targets or benchmarks which help track incremental changes in plan success.

Goal 1

Accurate, timely, and relevant information communicated to internal and external customers.

Objectives

A) Develop and implement a comprehensive communication plan that addresses the following areas:

- Internal communication
- External communication
- Education
- Document management

Performance Measures

Measures	Benchmarks
1. Overall Member Satisfaction	90%
2. Overall Employer Satisfaction	90%
3. Member Education – Quality of Training / Retention of Knowledge*	95% / 75%

* Using an electronic audience response system in the educational workshops is new for PERSI. Besides the benefit of measuring pre-and post-workshop knowledge, having immediate feedback allows trainers to adapt in real time to review modules where understanding measured low. PERSI will have the opportunity over the next year to gather more detailed and specific information using targeted questions.

Goal 2

Technology solutions optimized for and aligned with business-driven processes.

Objectives

- A) Provide a secure agency for employees and members, both at a personal and informational level.
- B) Implement enhancements to the document management system to create efficiency across the agency.
- C) Continuously monitor and improve data quality.
- D) Implement technology improvement plans and optimize utilization of technology.

Performance Measures

Measures	Benchmarks
1. Disaster Recovery Simulation Testing	100%
2. Quality Assurance/Regression Testing	95%
3. Live implementation of new pension benefit administration system that meets business-driven processes as agreed upon in RFP contract*	100%

* This is a multi-phased, multi-year project slated that began June 1, 2009 and will be completed by June 30, 2013. The expectation is 100% implementation over the next 4 years.

Goal 3

An organizational structure that supports consistent, effective, and accountable operations.

Objectives

- A) Create a supportive work environment that encourages CQI (continuous quality improvement) and accountability.
- B) Develop an organizational structure that supports succession planning. (This includes how employees move through the agency and ensuring that agency needs are met.)
- C) Identify and document standard operation procedures for each department and update them as changes occur.
- D) Annually review internal controls and make improvements where needed or appropriate.
- E) Design and implement an internal quality review and improvement process

Performance Measures

Measures	Benchmarks
1. Percent of retirees who receive their first annuity payment on their first eligibility date	95%
2. Number of business days to produce a written benefit estimate after a request is received.	5 days
3. Number of days to produce a separations benefit after receipt of final documentation	7 days
4. Average number of days after receipt to process employer transmittals	3 days

Goal 4

A staff that reflects character, commitment, and competence, resulting in professional service to our internal and external customers.

Objectives

- A) Identify upcoming staff retirements and develop a workforce management and succession plan.
- B) Develop an agency-wide training plan that includes the following:
 - Agency functions/business requirements
 - Current resources
 - Current needs
 - Corresponding training plans
- C) Complete comprehensive, accurate, and timely employee performance reviews to include coaching sessions, job shadowing, and individual development plans jointly developed by the employee and his/her immediate supervisor.
- D) Enhance new employee orientation to include PERSI terms, an organizational chart with supplemental information on functions performed, business processes, etc., at an overview level.

Performance Measures

Measures	Benchmarks
1. Overall Member Satisfaction	90%
2. Overall Employer Satisfaction	90%

