

Part I – Agency Profile

Agency Overview

The Public Employee Retirement System of Idaho (PERSI) was created in 1963, and was funded by the Idaho Legislature in 1965. Since that time, PERSI has offered a defined benefit plan to provide a secure, long-term retirement benefit for career public service employees. The agency is directed by a five-member Retirement Board, each appointed by the Governor for 5-year terms. The Board has the duty to manage the system and maintains fiduciary responsibility for investment policy, asset allocation, the selection of individual investment managers, post-retirement increases (cost of living adjustments), and setting the contribution rates.

PERSI administers two defined benefit retirement plans - the PERSI Base Plan and the Firefighters' Retirement Fund (FRF), and a defined contribution plan - the PERSI Choice 401(k) Plan which has a 414(k) component (for gain-sharing contributions from the PERSI Base Plan). PERSI also administers the Sick Leave Insurance Reserve Trust Fund. The Choice Plan 401(k) is somewhat unique to the public sector. PERSI obtained permission from the Internal Revenue Service to expand a grandfathered State 401(k) to all members statewide.

PERSI is currently working on upgrading its technological infrastructure by implementing a new line of business software system to replace the current system which is over 10 years old. The new system will help to streamline processes, increase customer satisfaction, reduce redundancies within the organization, and improve online functionality.

PERSI employs 63 staff, working in three locations: Boise, Pocatello, and Coeur d'Alene. It is headquartered at 607 North 8th Street, Boise, Idaho, 83702. (208) 334-3365.

PERSI Fiduciary Duty of Loyalty:

The primary duty of the Retirement Board and PERSI staff, as fiduciaries, is that of loyalty, or acting with an "eye single" to the interests of the beneficiaries. PERSI is required by law to make all its decisions solely in the interest of the beneficiaries and to avoid, at all costs, serving the interests of any other party not a beneficiary of the system.

Core Functions/Idaho Code

PERSI manages and administers retirement and disability benefits (including a 401(k) defined contribution plan) for public employees in the State of Idaho. Title 59, Chapter 13, Idaho Code.

PERSI manages and administers retirement and disability benefits for the Firefighters' Retirement Fund in the State of Idaho. Title 72, Chapter 14, Idaho Code. PERSI manages and administers the unused sick leave for public employees in the State of Idaho. Sections 33-1228, 33-2109A and 67-5339 Idaho Code.

Appropriation and Expenditures:

| Appropriation | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|-----------------------------|--------------------|--------------------|---------------------|---------------------|
| Public Employee Retirement* | \$6,431,700 | \$5,712,300 | \$12,364,500 | \$12,569,300 |
| Portfolio | \$863,600 | \$857,300 | \$875,000 | \$872,700 |
| Total | \$7,295,300 | \$6,569,600 | \$13,239,500 | \$13,442,000 |
| Expenditure | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
| Personnel Costs | \$3,845,763 | \$3,670,488 | \$3,695,289 | \$3,918,047 |
| Operating Expenditures | \$2,322,287 | \$2,257,681 | \$3,101,331 | \$4,093,945 |
| Capital Outlay | \$110,410 | \$152,369 | \$161,956 | \$346,629 |
| Total | \$6,278,460 | \$6,080,538 | \$6,958,576 | \$8,358,621 |

*The FY2012 and FY2013 appropriations included \$6.5 million each for a multi-year I.T. project, most of which was encumbered at fiscal year-end 2012 and 2013 respectively.

Profile of Cases Managed and/or Key Services Provided

| Cases Managed and/or Key Services Provided | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|--------------------------------------------|-----------|------------|------------|------------|
| PERSI Statistics | | | | |
| Number of Active Members | 70,068 | 66,776 | 65,990 | 66,057 |
| Number of Retirees | 33,934 | 35,663 | 37,452 | 39,326 |
| Choice Plan Employee Contributors | 10,381 | 10,523 | 10,178 | 10,358 |
| Employer Units | 730 | 742 | 752 | 756 |
| Base Plan Benefits Paid (millions) | \$572.2 | \$616.6 | \$619.5 | \$659.4 |
| Base Plan Assets (millions) | \$9,847.0 | \$11,673.4 | \$11,617.4 | \$12,386.8 |
| Return on Investments | 12.4% | 20.7% | 1.6% | 9.1% |

| Cases Managed and/or Key Services Provided | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|--------------------------------------------|---------|---------|---------|---------|
| PERSI Services | | | | |
| Retirement Estimates Calculated | 15,626 | 16,494 | 18,179 | 17,771 |
| Separation Benefits Paid (Cashed Out) | 3,903 | 3,910 | 3,935 | 4,130 |
| Members Receiving Retirement Education | 2,493 | 2,723 | 2,402 | 1,878 |
| Retirement Applications Processed | 2,431 | 2,681 | 2,819 | 2,865 |
| Disability Applications Processed | 154 | 160 | 285 | 206 |
| Employer Payroll Reports Processed | 14,567 | 14,785 | 15,107 | 15,666 |

Performance Highlights**Employer program:**

PERSI continues to focus on employer education to provide a better understanding of the features and benefits of both the Base Plan and the Choice 401(k) Plan. In March PERSI launched a year-long training program for our employers to report using our new line-of-business software program, IRIS. In May our first group of employers began reporting and the goal is that by March 2014 all employers will be reporting through the IRIS system. PERSI has held in-person workshops around the State and has invited all employers to attend. These workshops complement our existing employer education program which includes one-on-one training, site visits, and retirement workshops.

Member Education programs:

PERSI recognizes the need for individuals to begin planning for retirement early in their professional careers. PERSI offers a defined contribution Choice 401(k) Plan to supplement members' defined benefit Base Plan. We believe that PERSI has a responsibility to help educate our members on issues that will impact their ability to retire comfortably. In addition to our 6 hour "Retirement's a Beach" workshop which is intended for members approaching retirement, we also offer two programs that we have offered since 2008: "Planning for the Beach" & "Cruising to the Beach" which are also available on the PERSI's web, You Tube and Facebook websites. We continue to experience a significant demand for each of these programs. Employers and members value the information and appreciate the fact that PERSI workshops provide useful information but no sales pitch.

Metrics:

PERSI monitors a broad range of performance indicators from each functional unit in the organization. These metrics are combined into a 'big picture' report that provides monthly performance comparisons to previous periods and 12-month averages. In addition, a quarterly version of the report compares quarterly averages to the same quarter of the previous year. PERSI participates in a performance-benchmarking survey of other government pension plans that provide process efficiency benchmarks to show how our performance compares to other pension plans. The philosophy of the benchmarking firm, which we have adopted, is "What gets measured gets managed."

Customer Service:

PERSI is dedicated to providing members, beneficiaries, and employers quick and efficient service that makes a positive impression. Our goal for every interaction is to provide accurate service as quickly as reasonably possible in a manner that is convenient to our membership. As our membership grows in number, and transactions increase, we are committed to maintaining and increasing the quality of our service. While implementing technological innovations to help us meet our service goals, we continue to provide the 'human touch' when providing service.

Funding Status:

PERSI's objective is to accumulate sufficient assets to ensure funds will be available to meet current and future benefit obligations to members on a timely basis. As of June 30, 2012, the PERSI Base Plan had a funded ratio of 84.4% of the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability (UAAL) at that time was \$2 billion and the amortization period of the UAAL was 5 years.

The last few days of Fiscal Year 2013 saw investment performance plummet from a great year with all-time asset highs in May of more than \$13 billion and a solid double digit return, to a good year with an estimated 9.06% return and final asset value in the PERSI Fund of \$12.765 billion. The 2013 funded status has not been determined by the PERSI actuary at this time but estimates from the actuarial model predict a funded ratio of about 86.6%.

Part II – Performance Measures

| Performance Measure | 2010 | 2011 | 2012 | 2013 | Benchmark |
|---------------------------------------------------------------------------------------------------|--------|--------|--------|--------|-----------|
| 1. Total Service Score | 82% | 81% | 84% | 84% | 79% |
| 2. Number of Employee Education Sessions Per Year | 104 | 130 | 100 | 101 | N/A |
| 3. Average Wait Time For Calls (sec) | 35.2 | 31 | 30 | 32 | 41 |
| 4. Percentage of Retirees Who Receive their first annuity payment on their first eligibility date | 96% | 96% | 96% | 96% | 97.2% |
| 5. Percentage of calls handled without transfer | 84.6% | 85.7% | 84.0% | 81.2% | 85.0% |
| 6. Number of business days to produce a written estimate of benefits after request | 4.9 | 5.4 | 5.0 | 5.0 | 5 |
| 7. Number of days to produce a separation benefit after receipt of documentation | 7.3 | 6.2 | 7.0 | 7.0 | 7.0 |
| 8. Average Number of days after receipt to process Employer Transmittals. | 2.5 | 2.6 | 2.6 | 2.4 | 3 |
| 9. Total Expenses as % of Assets | 0.488% | 0.453% | 0.422% | 0.398% | .50% |

Performance Measure Explanatory Notes:

Performance Measure 1: Total Service Score is a weighted average of service scores on activities including member transactions, member communication, and quality indicators as defined by a third party CEM Benchmarking Inc. The benchmark is the peer median of 12 comparable US pension systems.

Performance Measure 2: PERSI trainers present three different training workshops for members in different stages of their careers. The "Retirement's a Beach" workshop for people near retirement is very popular and the workshops are always full. The "Planning for the Beach" and "Cruisin' to the Beach" workshops for people in early and middle stages of their career members are less popular and attendance at workshops has often been two or three people. So this year, these workshops were made into video recordings that are now offered on the PERSI website, *YouTube* and DVD. The number of classroom presentations was reduced, as indicated in the performance measure. Website statistics indicate the videos are popular and the message is reaching more people than before. By reducing the workshops and associated travel time, the trainers are able to devote time to educating employers about changes coming with the new pension system.

Performance Measure 9: This measure of total expenses includes all expenses, both appropriated and non-appropriated, from the PERSI trust. The actuary assumes 50 basis points (a basis point = 0.01%) for expenses and this is also the long range budget goal set by the PERSI Board. The expense ratio for FY2012 has been restated because of a change in accounting principle.

For More Information Contact

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