

## 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 three defined benefit retirement plans - the PERSI Base Plan, the Firefighters' Retirement Fund (FRF), and the Judges' Retirement Fund (JRF), 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). 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 also administers the Sick Leave Insurance Reserve Trust Fund.

PERSI employs 65 staff, working in three locations: Boise, Pocatello, and Coeur d'Alene. It is headquartered at 607 North 8<sup>th</sup> 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.

### Revenue and Expenditures

Revenue	FY 2012	FY 2013	FY 2014	FY 2015
Retirement Administration*	\$12,364,500	\$12,569,300	\$5,980,400	\$6,218,000
Portfolio Investment	\$875,000	\$872,700	\$880,600	\$901,100
<b>Total</b>	<b>\$13,239,500</b>	<b>\$13,442,000</b>	<b>\$6,861,000</b>	<b>\$7,119,100</b>
Expenditure	FY 2012	FY 2013	FY 2014	FY 2015
Personnel Costs	\$3,695,289	\$3,918,047	\$4,051,671	\$3,852,583
Operating Expenditures**	\$3,101,331	\$4,093,945	\$2,284,563	\$2,212,698
Capital Outlay	\$161,956	\$346,629	\$90,964	\$222,020
<b>Total</b>	<b>\$6,958,576</b>	<b>\$8,358,621</b>	<b>\$6,427,198</b>	<b>\$6,287,301</b>

\*The FY2012 and FY2013 appropriations included \$6.5 million each for a multi-year IT project. IT Project encumbrance balances are carried forward each year. \*\*The FY 2015 IT project expenditures of \$2,918,375 are not included above. Other encumbered expenditures during FY2015 of \$63,232 are not included above.

### Profile of Cases Managed and/or Key Services Provided

Cases Managed and/or Key Services Provided	FY 2012	FY 2013	FY 2014	FY 2015
<b>PERSI Statistics</b>				
Number of Active Members	65,990	66,057	66,452	67,183
Number of Retirees	37,452	39,326	41,178	43,053
Choice Plan Employee Contributors	10,178	11,017	11,427	12,427
Employer Units	752	756	764	766
Base Plan Benefits Paid (millions)	\$619.5	\$659.4	\$703.2	\$796.6
Base Plan Assets (millions)	\$11,617.4	\$12,386.8	\$14,217.1	\$14,572.5
Return on Investments	1.6%	9.1%	17.2%	3.0%
<b>PERSI Services</b>				
Retirement Estimates Calculated	18,179	18,156	18,148	20,356
Separation Benefits Paid (Cashed Out)	3,935	4,130	3,834	3,109
Members Receiving Retirement Education	2,402	1,878	3,087	7,598
Retirement Applications Processed	2,819	2,865	2,886	2,972
Disability Applications Processed	285	206	170	166
Employer Payroll Reports Processed	15,107	15,666	16,097	16,802

### Performance Highlights

#### **Technology:**

PERSI is in the final year of a 4½ year project to replace the pension administration system which is more than fifteen years old. The new system, with the product name "Arrivos", is being customized and configured by the vendor, Tegrity Software Ventures. Arrivos will be rolled out in three phases. Phase I, Employer Reporting, was put in production in May of 2013, at which time PERSI began the process of converting the 766 employers to the new system. The process was a significant task, but the last employer completed the transition in July. The other two phases are Member Administration and Member Self-Service Portal, which are scheduled to be rolled out simultaneously in April of 2016.

#### **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, 2014, the PERSI Base Plan had a funded ratio of 93.9% of the Actuarial Accrued Liability. According to the PEW Center for the States, 80% or better is considered to be a solid funded status. The Unfunded Actuarial Accrued Liability (UAAL) at that time was \$903.4 million and the amortization period of the UAAL was 5.5 years. In light of the fund's condition, the Board recommended an up to 4% cost of living adjustment for PERSI retirees, as well as the permanent withdrawal of two future contribution rate increases.

Fiscal Year 2015 saw investment performance slow, with a final return estimated at 3.02%, and final asset value in the PERSI Fund of \$14.915 billion. The 2014 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 89.5% and an amortization period for the UAAL of 19.1 years.

**Part II – Performance Measures**

Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	Benchmark
1. Total Service Score	81%	84%	83%	79%	79%
2. Number of Employee Education Sessions Per Year	100	101	102	338	N/A
3. Average Wait Time For Calls (sec)	30	32	31	30	25
4. Percentage of Retirees Who Receive their first annuity payment on their first eligibility date	96%	96%	90%	92%	95%
5. Percentage of calls handled without transfer	84.0%	83.4%	82.5%	81.8%	80%
6. Number of business days to produce a written estimate of benefits after request	5.0	5.0	5.0	5.0	5
7. Number of days to produce a separation benefit after receipt of documentation	7.0	7.0	7.0	7.0	7
8. Average Number of days after receipt to process Employer Transmittals.	2.6	2.4	3.2	3.5	3
9. Total Expenses as % of Assets	<b>0.422%</b>	<b>0.398%</b>	<b>0.392%</b>	<b>.376%</b>	<b>.50%</b>

**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 several different training workshops for members in different stages of their careers. The workshop underwent significant revision for 2015 replacing former workshops with: **Ready...** - targeting members new to PERSI; **Set?** – focused on vested members; and **GO!** – intended for those approaching retirement. Trainers presenting workshops at employers' on-site locations in addition to fixed off-site venues throughout Idaho.

**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.

**For More Information Contact**

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