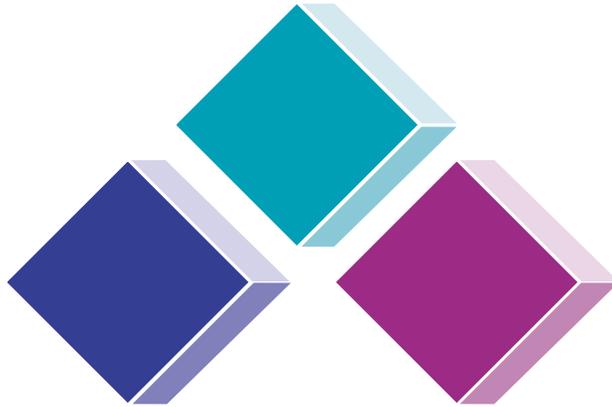


Public Employee Retirement System of Idaho

Strategic Plan 2017 - 2020



PERSI

Public Employee Retirement System of Idaho

Message from the Director



Don Drum
PERSI Executive Director

“The future is called ‘perhaps,’ which is the only possible thing to call the future.
And the important thing is not to allow that to scare you.”

~ Tennessee Williams

For more than fifty years, the Public Employee Retirement System of Idaho (PERSI) has been helping public employees build a secure future in retirement. All this time, PERSI has continually strived to improve and upgrade our processes and systems, aiming for stable, transparent, and trustworthy administration of our public agency. This past year, PERSI steadily advanced the implementation of our new pension administration system (IRIS), and provided face-to-face communication regarding various issues concerning members and employers statewide. Optimistic and unafraid, we will continue taking steps to ensure a solid future for PERSI and the members and employers we serve.

CUSTOMER SERVICE

PERSI’s #1 priority is “Personalized Customer Service”. In 2016, an independent research firm (CEM) rated PERSI’s business practices against eight similar public retirement systems. The results help us improve service levels, set goals and manage costs. Here’s some of what they found: PERSI’s service score remains above average among our peers. Our total service score was 79 out of a possible 100, equaling the peer median. Higher service scores generally mean faster turnaround times, more availability, more choice and higher quality. Key areas that affect our service score include paying benefits on-time, processing new retirees, secure website capability, and prompt call center service. Our administrative cost per member was \$79. This was \$48 below the peer average of \$127. This data reflects PERSI’s commitment to providing excellent customer service while controlling costs. Our attention to customer service has always been our calling card, and PERSI leadership continues to believe personalized customer service is essential to all generations of members. We cannot afford to have any generation ignore, tune out, or turn off the messages about the benefits of PERSI.

COMMUNICATION

As in years past, I continue to travel to all corners of our state, meeting with legislators, employers, members, retirees, and constituency groups, and discussing issues important to PERSI and its stakeholders.

PERSI is committed to ensuring that employers and their governing bodies are prepared and equipped to implement Governmental Accounting Standards Board (GASB) transparency in pension reporting standards. As the effects of the GASB rules continue to unfold, entities interested in changing public pension systems may set their sights on PERSI. We will continue to be a trusted resource in providing accurate and relevant information to lawmakers, our membership, and the public at-large.

Communication between PERSI and our employers remains a critical initiative, amid the final stages of the IRIS conversion. We continue to make progress implementing this new \$13 million pension administration system which may be the largest project ever undertaken by PERSI. With the staggering volume of member data coming into PERSI, IRIS will greatly reduce inconsistencies in payroll reporting and improve the quality of the data used by PERSI. Virtually every employer is now using the new system to report payroll information to PERSI. Our Employer Service Center, as well as our Education and Communication Training Unit, continues to work closely with employers, to assist in a smooth transition to the new system. With the entire project slated for completion in September 2016, the final stages of rollout focus on pension administration functions as well as enhanced member connectivity and interface capabilities.

PERSI's educational outreach is focused on making sure members, employers and lawmakers understand and appreciate the value of the PERSI benefit. Our training staff continues to work directly with employers, engaging members earlier in their careers, and providing expanded workshop offerings explaining the value of the PERSI benefit. We are committed to providing on-location workshops for members in every county of Idaho in 2016, and are on track to meet that goal. Technology has a place in our outreach, so long as it strengthens but never replaces in-person efforts. We will continue to evaluate but only utilize automation if we believe it provides increased value.

STABILITY – Contributions Maintains Health of the Fund

The PERSI fund remains stable even during times of “tepid” market returns, thanks in no small part to the wisdom of the Idaho Legislature. Idaho statute has measures in place that keep required contributions to the fund set at a rate that will sustain the fund during less than stellar market years. If a contribution rate increase becomes necessary, the earliest implementation would take place in January 2018. Historically, the PERSI Board has exercised an additional grace period to align rate increases with the State fiscal year budget, which would push implementation out to July 2018.

PERSI's strategic plan is built on bringing the future into the present, so we can do something about it now. Successful execution of our plan will give PERSI a stable platform from which to build its future.



Donald D. Drum
Executive Director

PERSI's strategic plan defines its missions, goals, and the means by which it will measure its progress in addressing specific problems, needs, or challenges related to its mission over the course of several years.

Too many organizations spend time reacting to unexpected changes instead of anticipating and preparing for them. PERSI prefers not to operate in crisis mode. Therefore, each year PERSI management reviews and updates the plan to reflect PERSI's strategies, actions, and progress toward its goals. Rather than focusing on a static set of performance measures, the plan provides priorities, accomplishments, and next steps, reinforcing the strategic plan's function as a living, vital document that serves as a genuine management tool.

Simply put, PERSI's strategic plan is a process by which we look into the future.



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.

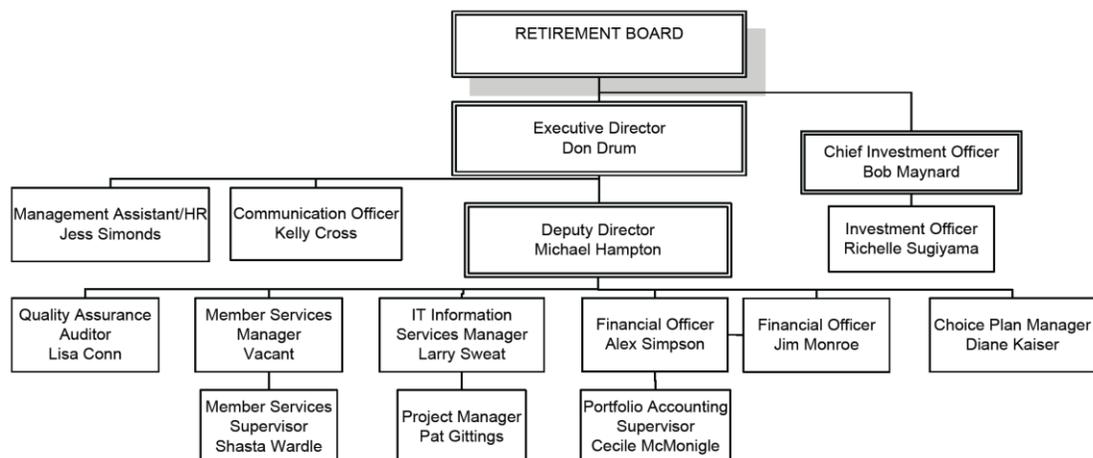
Current Board members:

Jody B. Olson, Chairman	Term expires July 1, 2017
J. Kirk Sullivan	Term expires July 1, 2016
Jeff Cilek	Term expires July 1, 2020
Joy Fisher	Term expires July 1, 2019
Celia R. Gould	Term expires July 1, 2018

PERSI Staff

PERSI employs 66 staff members operating from the headquarters office in Boise (61 employees) and field offices in Coeur d'Alene (2 employees) and Pocatello (3 employees).

PERSI Organization



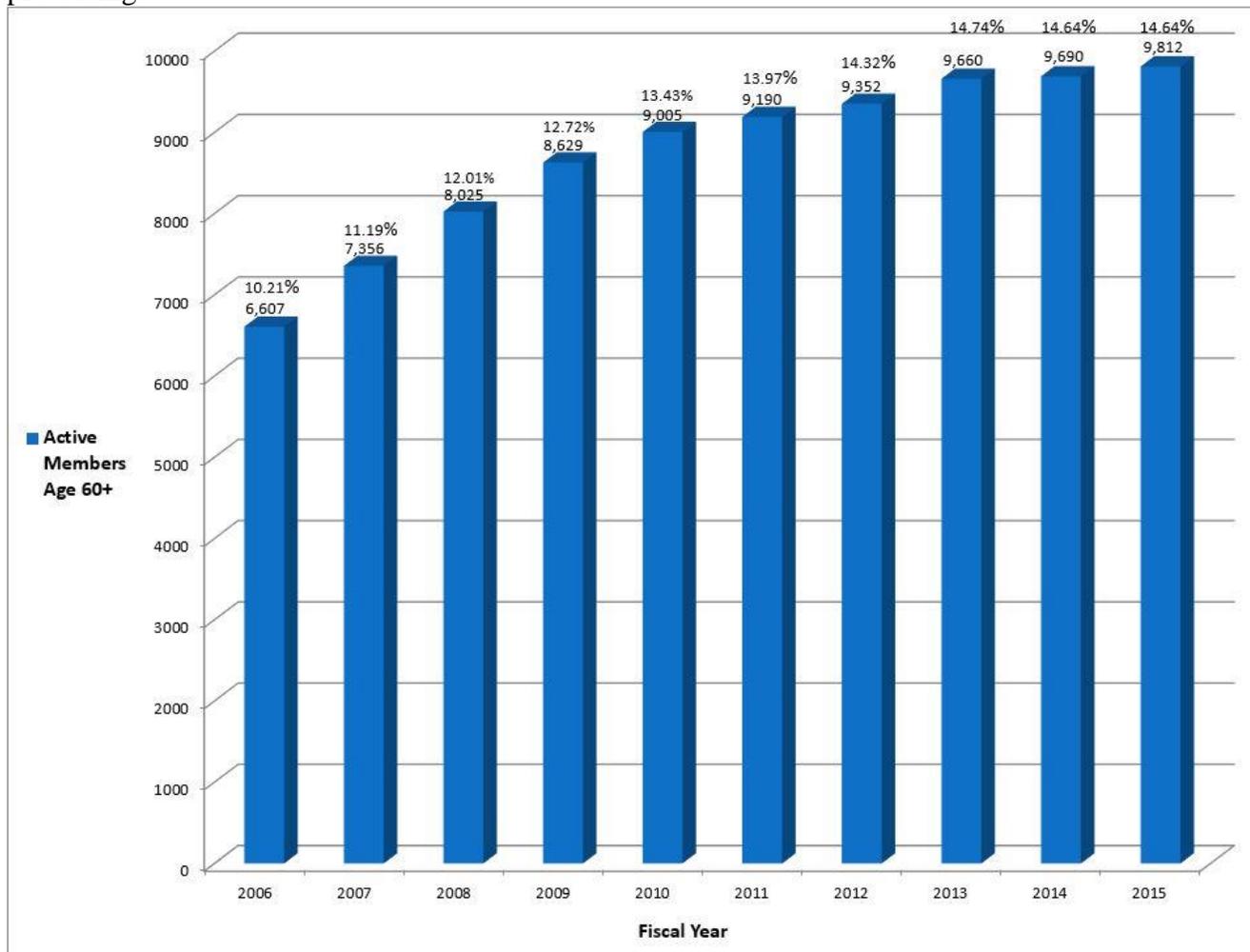
EXTERNAL INFLUENCES

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.

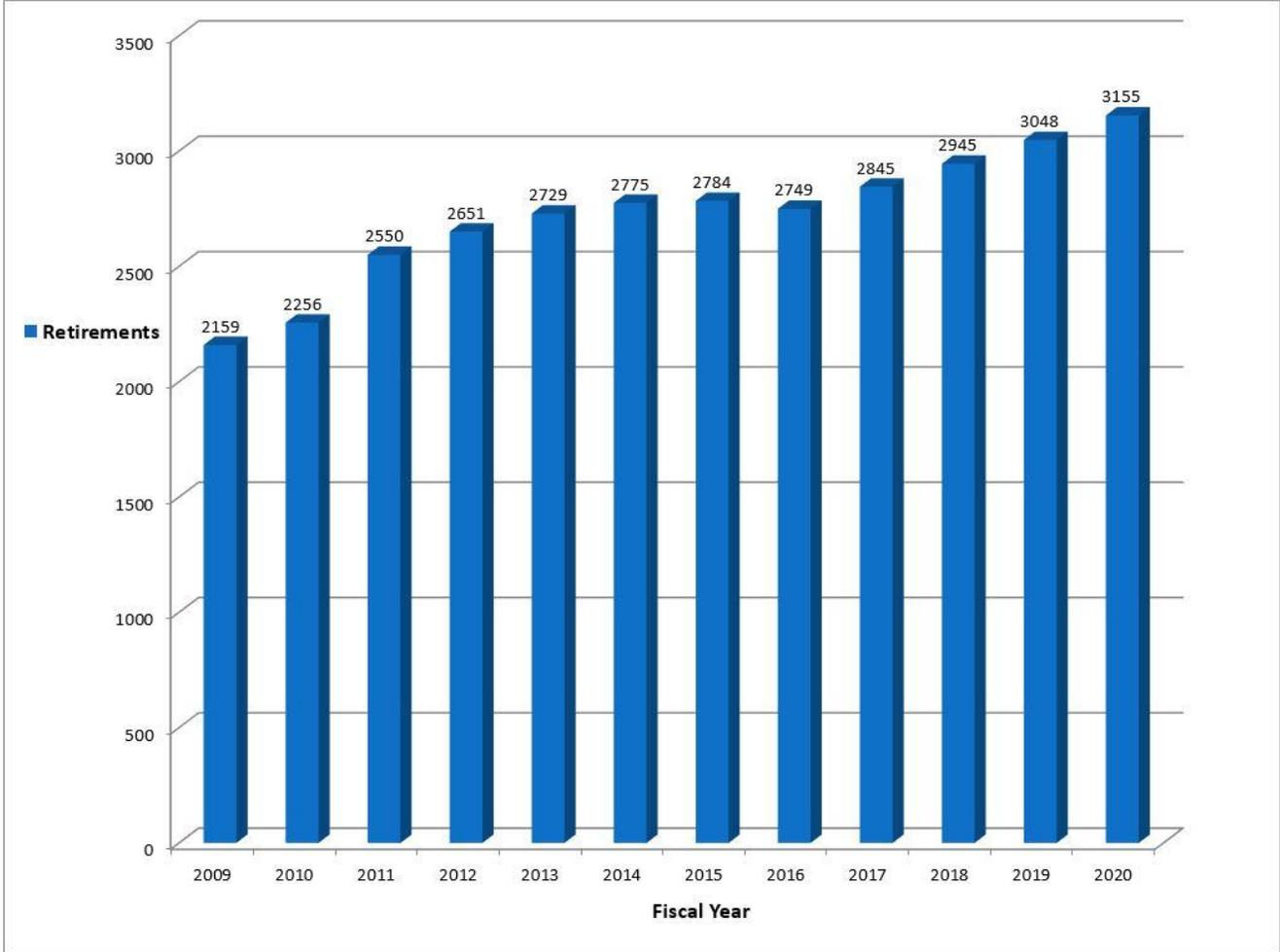
Growth and Age Distribution of PERSI Membership

PERSI has grown from a small agency serving 5,500 active members in 1965 to a much larger organization today. As of June 30, 2015, PERSI had 67,008 active members and 763 employers across the state. In addition, PERSI had 42,657 retirees and 29,827 inactive members. In the ten-year period from 2005 to 2015, the number of PERSI members increased from 111,665 to 139,492.

The number of active members who are near retirement age is increasing. The following chart shows the number and percentage of active members who were age 60 or older as reported in PERSI's Actuarial Valuation reports for each of the last ten years. This aging of PERSI's membership has increased the need for PERSI's services for retirement assistance, retirement education and retirement processing.



The chart below shows the number of retirements processed in fiscal years 2009 through 2015, as reported in PERSI's annual Actuarial Reports. It also shows the number of retirements projected for Fiscal Years 2016 through 2020, based on current growth trends. In Fiscal Year 2015, the number of retirements processed had increased by 28.9% in the six years since 2009. After a slight drop in Fiscal year 2016, the growth trend is expected to continue as the baby-boomer generation retires from the workforce. PERSI must be prepared to manage the increased workload while maintaining its standard of excellent customer service.



Effects of Investments on PERSI Trust Fund and Operations

A combination of investment earnings and contributions from employers and employees fund PERSI. 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 2002. The market collapse continued in Fiscal Year 2009, causing a significant and rapid decline in the value of the fund. Over a seven-month period beginning in September 2008, the fund value dropped nearly 33 percent.

The fund began recovering in April 2009, and by June 30th regained nearly half of its losses since September 2008. Still, the net return for Fiscal Year 2009 was -16.0 percent, which matched the worst fiscal year in PERSI's history (1974). Recovery continued sporadically throughout the following year with more volatility in the markets. The fund ended Fiscal Year 2010 with a net investment return of 12.4 percent. Although the progress was positive, the fund was not fully recovered; so in December of 2009, the Retirement Board approved a series of contribution rate increases to ensure the long-term sustainability of the fund. The first increase of 1.5 percent (1% employer and .5% employee) was scheduled to take effect July 1, 2011, but the fund continued to recover; so in the fall of 2010 and again in 2011, the Board voted to postpone the increases until July 1, 2013. In the fall of 2012, market volatility caused the funded ratio to drop to 84.7%. Market indicators led the Board to believe volatility might continue. Thus, the Board made a decision to allow the 1.5% scheduled rate increase to go into effect on July 1, 2013. The PERSI fund ended Fiscal Year 2012 with a net return of 1.16%. Fiscal Year 2013 (ended June 30, 2013) was a good year – one that, for much of the year, had the potential to be great, with net returns of 9.1%, investment gains of over \$1.092 billion, and asset levels that rose from \$11.933 billion at the start of the year to \$12.756 billion at the close. Cautiously optimistic, the Board postponed implementation of the second contribution rate increase which was scheduled to take effect July 1, 2014. Fiscal Year 2014 ended with a net return of 17.24%, \$14.69 billion in assets and a funded ratio of 93.9%. In October, 2014, the Board voted to eliminate two proposed contribution rate increases (1.5% and 2.31%). The first increase would have taken effect July 1, 2015. At the same time, the Board recommended an up-to-4% Cost of Living Adjustment (COLA) for retirees. Fiscal year 2015 ended June 30, 2015 with a net return of 2.7%, \$14.9 billion in assets and a funded status of 90%. Fiscal year 2016 ended June 30, 2016 with an unaudited net return of 1.53%, \$14.85 billion in assets and a funded status of 86%.

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 (15 to 20 years), concentrate on material impacts on overall portfolio, and maintain a small staff and citizen board; **PATIENT** – react occasionally or not at all, recognize that daily and yearly markets are often abnormal, avoid need for numerous decisions, and strive for long-term consistency .

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, PERSI recognized its current pension administration system was nearing the end of its useful life and not able to integrate well with newer technology.

In fiscal year 2009, PERSI engaged a pension system consulting firm to conduct a comprehensive study of the agency's IT business requirements and recommend a strategy for meeting current and future needs. The recommendation that emerged from the study called for replacing the system with a commercial off-the-shelf (COTS) system customized as necessary to meet business requirements.

In fiscal year 2010, PERSI began several initiatives to prepare the agency for the system replacement project. It retained the services of a data quality contractor to analyze the pension data and work with PERSI staff to cleanse the data for presentation to the new system. Other PERSI staff engaged in an effort to review and document business rules for use in designing the new system processes. Additionally, PERSI brought in a project oversight consulting firm to gather business requirements and develop a request for proposals (RFP) for a new pension system.

By June 2011, the RFP was ready for release and PERSI had legislative approval to proceed with the project. PERSI released the RFP in August 2011 and selected a vendor in November. The system replacement project, code-named IRIS (Idaho's Retirement Information System), was kicked-off in January of 2012.

The first of three phases, the Employer Reporting program, was put in service in May 2013. At that time, PERSI's Employer Service Center (ESC), with the help of the IT Staff and PERSI's Trainers, began a two-year effort to bring all 764 PERSI employers over to the new system. Converting to the new system required considerable effort for the larger employers that submit data by electronic files. Because the new system required changes to the file structure, those employers or their software vendors had to modify their payroll programs. The changes were a lot of work for the employers and for PERSI staff, but by July of 2015, all employers were reporting in the new system.

While ESC worked on moving employers to IRIS, the system vendor and PERSI's project team continued to work on Phase II, which is the largest phase of the IRIS project. Phase II includes the member administration and retiree payroll programs. Work has also begun on Phase III, Member Self-service, which will be rolled out in conjunction with Phase II, in the 3rd quarter of 2016.

In conjunction with the IRIS project, PERSI will implement a new Enterprise Content Management (ECM) system to replace the current imaging system. An RFP for the ECM system was released in the first quarter of 2014 and a vendor and system selected in April 2014. The new ECM system is being integrated with the IRIS system and will be put into production at the same time as the second and third IRIS phases. Once imaging implementation and conversion is complete, future work will be done to configure the ECM system for organization and management of electronic documents from sources other than the IRIS system.

IRIS is a critical component of PERSI's IT strategic plan. People of all ages are now accustomed to doing business on the internet using home computers and mobile devices. They want and expect to conduct business with PERSI with the same convenience as online banking and bill paying. IRIS will make it possible for PERSI to expand its online services to members and employers, while ensuring confidential information is protected and secure. The system will also benefit PERSI by boosting staff

efficiency through well-designed automation of work processes and by giving managers ready access to information and reports for business analytics and decision-making.

As the IRIS project progresses, PERSI's IT strategic plan provides for continued testing and strengthening of security defenses to protect data and systems from unauthorized access, malicious attacks and natural disaster. New threats are constantly emerging, so PERSI's information technology must be updated or replaced regularly to eliminate vulnerabilities. The plan also includes improvements to PERSI's business continuity capabilities to enable operations to recover and continue in the event of a disastrous event.

Federal Law and Regulation Changes Regarding Retirement Plan Qualifications

The PERSI Base Plan is a tax-qualified governmental retirement plan under the Internal Revenue Code. Changes in federal laws may affect PERSI or require changes to its statutes or rules. Failure to make required changes in a timely manner could have a negative impact on the plan's qualified status. Therefore, it is necessary for PERSI to track federal developments closely and to understand the impact they 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 were completed. These plans identify the specific objectives each business unit must complete to bring about successful realization of strategic plan goals. Action plans break the objectives down further by identifying the specific tasks, which must be completed to achieve the objective. Managers review action plans periodically with the PERSI Leadership Team and the plans are updated to show progress and shortfalls. Managers then prioritize tasks and assign staff accordingly.

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 define each of the 3 Cs clearly:

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 one's self 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) Implement and refine business processes that support PERSI's communication strategy within the following areas of emphasis:
- Internal communication
 - External communication
 - Member Education
 - Employer Education

Performance Measures

Measures	Benchmarks	Benchmark Explanation
1 Internal communication through meetings, training, and correspondence related to improving business processes.	Quarterly all-staff meetings	Benchmark based on agency research and management best practices.
2 External communication through multimedia platforms including Webinars, Videos, Social Media, and other methods.	4 Communications per month	Benchmark based on agency research.
3 External communication and education through in-person visits and presentations.	4 external trainings per month, 33% employer visits per year, each county visited at least once per year	Benchmark based on agency research.
4 Member Education – Quality of Training / Retention of Knowledge*	95% / 75%	Benchmark based on agency research.

**PERSI trainers use an electronic audience response system in the educational workshops to gather feedback from workshop attendees. Besides the benefit of measuring pre- and post-workshop knowledge, the immediate feedback enables trainers to quickly adapt course presentations to devote more attention to topics which tend to receive low measures for understanding. Consequently the measurement tool also helps raise the quality of training and retention of knowledge.*

Goal 2

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

Objectives

- A) Maintain an agency security program that provides electronic and physical security for data and systems, and personal security for staff, members and visitors.
- B) Improve and standardize the agency-wide document management strategy and systems to create efficiency across the agency.
- C) Continuously monitor and improve data quality.
- D) Implement technology improvement plan and optimize utilization of technology.

Performance Measures

Measures	Benchmarks	Benchmark Explanation
1. Progress completion on technology improvement/optimization plan <ul style="list-style-type: none"> i. Pension Administration System Replacement project ii. Secure Web and Email Gateways with Data Loss Prevention i. Enterprise Content Management System Implementation 	On schedule	Benchmark based on project management best practices.
2. Continuity of operations (COOP) preparedness and simulation testing	100% successful completion of critical operations in simulation testing	Benchmark based on industry standard and agency management best practices.
3. Increase in member registration and use of the Self-Service web site	3% growth per Fiscal Quarter	Benchmark based on agency research.
4. Premises and Systems Vulnerability Assessment and Remediation	Zero high or medium risk vulnerabilities	Benchmark based on agency research and agency management best practices.
5. Quality assurance/regression testing of program code changes.	95% free of errors	Benchmark based on industry standard.

Goal 3

Maintain 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 and encourages employee development and growth.
- C) Evaluate and refine 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) Monitor and improve processes for internal quality review and improvement

Performance Measures

Measures	Benchmarks	Benchmark Explanation
1. Percent of retirees who receive their first annuity payment on their scheduled retirement date	95%	Benchmark based on industry standard.
2. Number of business days to produce a written benefit estimate after a request is received.	7 Days	Benchmark based on industry standard.
3. Number of days to produce a separations benefit after receipt of final salary via transmittal.	7 Days	Benchmark based on industry standard.
4. Average number of days after receipt to process employer transmittals	3 Days	Benchmark based on industry standard.
5. Organized training sessions on a quarterly basis to promote employee development.	95% Participation	Benchmark based on agency management best practices.
6. Conduct internal review of new or changes to existing policies, forms and procedures	Monthly CART review	Benchmark based on agency management best practices.
7. Percentage of calls resulting in undesired outcomes versus total incoming calls	<3%	Benchmark based on industry standard.
8. Security audit of user level access within the Pension Administration System	Annually	Benchmark based on industry standard and agency management best practices.

Goal 4

An organizational culture in which all communication and actions reflect the values of character, commitment, and competence.

Objectives

- A) Conduct 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.
- B) Provide orientation for new employees to include PERSI terminology, the organizational chart and information on job functions and business processes.
- C) Conduct employee recognition program to encourage and reward meritorious performance.

Performance Measures

Measures	Benchmarks	Benchmark Explanation
1 Employee Recognition Annually, Quarterly, and Monthly	100%	These benchmarks are recognized as industry standard.
2 Employee Reviews completed on-time	100%	These benchmarks are recognized as industry standard, and required by State of Idaho personnel rules.



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