



*Commitment*

*Competence*

*Character*

# An Overview of PERSI and Pension Systems in Today's Environment.

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# SUMMARY

*The National Institute on Retirement Security (NIRS) considers PERSI a national leader. National debate has centered on the need for reform in public pension rules, benefits, and economic assumptions.*

Nationally, systems are making reforms and adjustments to economic assumptions, and governing agencies are addressing rules.

*\* FY12 PERSI data provided in this presentation are estimates only.*

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# THE NATIONAL DEBATE PUBLIC PENSION SUSTAINABILITY

Should Idaho Taxpayers & Members Be Concerned?

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Idaho not listed as a state that has enacted pension reforms...

Should Idaho consider pension reform?



# The Board has evaluated and considered the common reforms.

- ❖ PERSI has worked well with and responded to legislators to assess the impact of benefit changes. To date, the Board contends benefit changes are unnecessary; they are prepared to work with legislators to evaluate any reform considerations
- ❖ In 2009, after evaluating the “Great Recession,” the Board proposed a rate increase for employers and employees.
  - ◆ Working closely with legislators and the Governor’s office, PERSI has been able to reduce the UAAL by 35% without implementing the rate increases
  - ◆ PERSI was above PEW’s 80% solid performer threshold in FY11 & 12



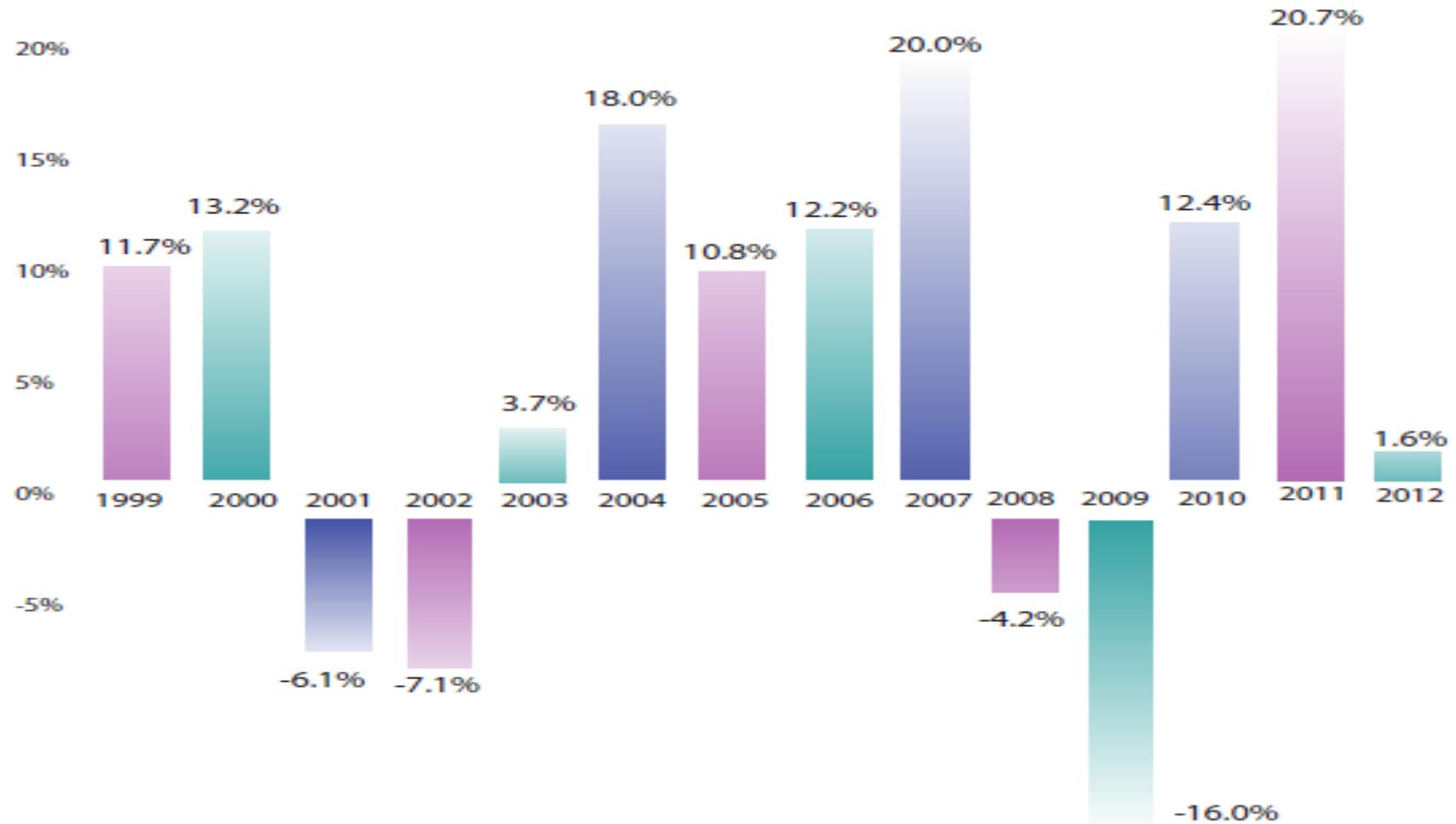
# The Board has evaluated and considered the common reforms (continued).

- ❖ Idaho Code mandates a 1% COLA if the CPI-U is 1% or greater; and allows the Board discretion to award additional COLA if the CPI-U is greater than 1%
  - ◆ Until 2008, the Board had protected retiree purchasing power by using discretion to provide COLAs that met the CPI-U
  - ◆ Since 2008, the Board has only allowed a 1% annual increase
- ❖ Effective July 1, 2012, the Board reduced PERSI's net return assumption to 7%

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# HOW DID PERSI PERFORM IN FY11 & 12?

In 10 of last 14 years, PERSI had positive investment returns.

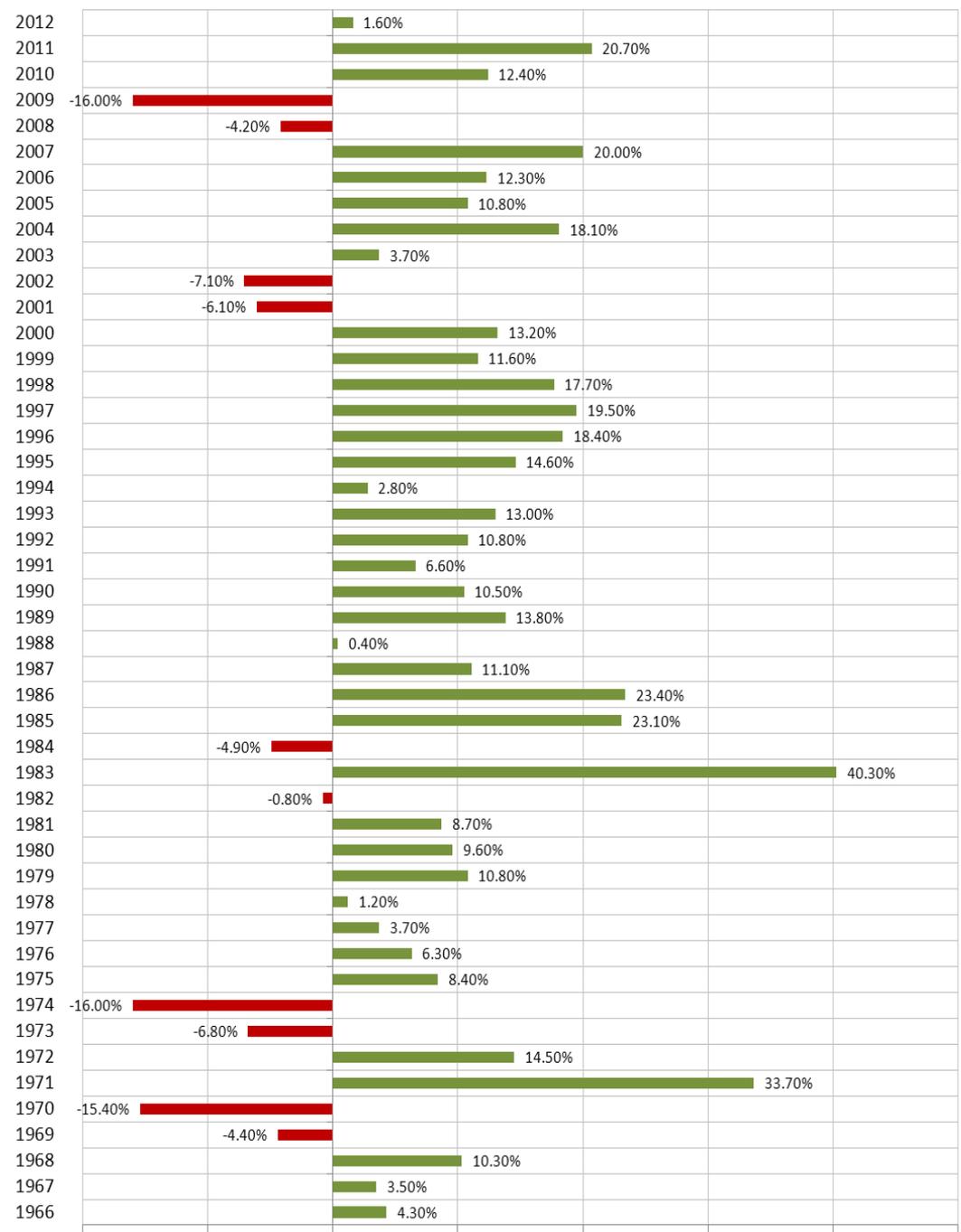




-20.00%   -10.00%   0.00%   10.00%   20.00%   30.00%   40.00%   50.00%



# Historical Returns



*47-year average: 8.16%*

# PERSI vs. NATIONAL HEADLINES

“Pension Reform Needed; Unfunded Liability a Real Problem”



# How did PERSI address its unfunded liability?

- ❖ The PERSI Board took action in the fall of 2009 to address the UAAL of \$3.03 billion by proposing three future contribution rate increases
- ❖ Proposed increases enabled PERSI to significantly reduce the amortization period for unfunded liabilities
- ❖ Idaho Statute allows the Board to evaluate market conditions, economic assumptions, and sustainability issues before implementing rate increases.
- ❖ Since 2009, the UAAL reduced by 35% without the proposed rate increases

# PERSI's unfunded liability peaked in 2009.

Fiscal Year-end	FUNDED RATIO	UAAL	AMORTIZATION PERIOD
2008	93.3%	\$748.9M	16 years
2009	74.1%	\$3.0B	100+ years
2010	78.9%	\$2.5B	17.5 years
2011	90.2%	\$1.3B	8.2 years
2012	84.2%	\$2.1B	14.8 years

# PERSI vs. NATIONAL HEADLINES

“Accounting Changes Will Make Public Pension Gap Look Even Larger”



# GASB released a report on new statements in June, which said...

“This is an important change that will more clearly depict the government’s financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the governments situation will not have changed.”

# UAAL - July 1, 2012

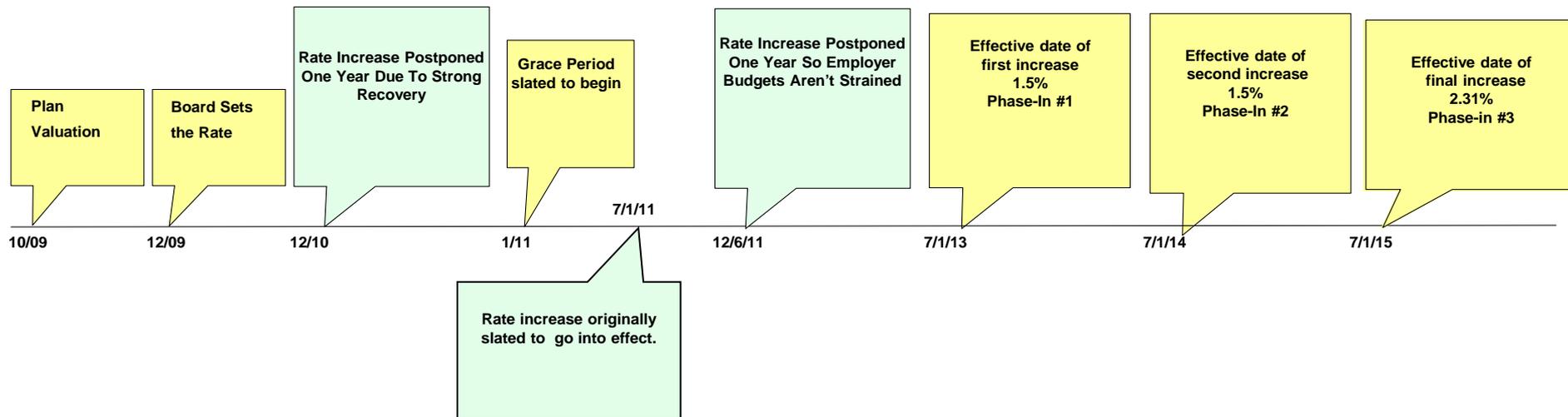
<b>Unfunded Actuarial Accrued Liability Model (UAAL)</b>		
<b>Inputs</b>		
Date for calculation of UAAL		07/01/2012
Asset Return Year to Date (Net of Expenses)		1.60%
Total March 1, 2012 COLA		1.00%
<b>PERSI Status as of 07/01/2011</b>		
Actuarial Accrued Liability		12,592.70
Market Value of Assets		11,360.10
Unfunded Actuarial Accrued Liability		1,232.60
Funded Ratio		90.20%
<b>PERSI Status as of 07/01/2012</b>		
Actuarial Accrued Liability		13,500.30
Market Value of Assets		11,366.40
Unfunded Actuarial Accrued Liability		2,133.90
Funded Ratio		84.20%



# Idaho lawmakers built a stable system from the start.

- ◆ In March 2012, PERSI achieved a historical high asset value of \$12.226 billion
- ◆ PERSI's funded ratio as of July 1, 2012 was 84.2%; PEW Center study says 80% equals solid performer
- ◆ \$555.2 million in retirement benefits paid to retirees residing in Idaho

# Rate increase had been postponed twice.



*Board decision required by December 2012*

# Contribution rates lower today than 1996.

	Funded Ratio
1992:	69.7%
1995:	75%
1997:	97%
1998:	110%
2000:	116%
2003:	84%
2007:	106%
2009:	74%
2010:	79%
2011:	90%
2012:	84.2%

[higher contributions - 17.61%]

[contributions lowered- 15.66%]\*

\* Gain sharing

[current contributions - 16.89%]





Thank you for taking time to learn about PERSI and the current pension environment.

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# Q & A

[www.persi.idaho.gov](http://www.persi.idaho.gov)