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PERSI CONTINUES VIGOROUS REBOUND

-- strong investment returns and conservative practices aid recovery --

BOISE, Idaho — The Public Employee Retirement System of Idaho (PERSI) is pleased to report it continues to actively rebound from the losses sustained during the economic downturn that affected all pension systems and investors. As of April 29, 2011, the PERSI fund was valued at $12,198,081,075 — up from a low on March 6, 2009 of $7.6 billion and a gain of nearly 65 percent. "Maintaining discipline during tumultuous times can be difficult; sticking to a proven investment strategy has contributed to our recovery," notes Retirement Board Chair Jody Olson. Besides strong investment returns, there are many reasons PERSI has gained ground while other pension systems continue to struggle:

- PERSI is one of only two systems nationwide that does not smooth. Smoothing is a process where unusually high or low returns in a given year are spread over a multi-year period to lower the volatility of the gains and losses from pension fund investment returns. PERSI uses a mark-to-market approach using the current fair market value of assets or liabilities. This practice gives PERSI a well-defined picture of returns in real time.

- PERSI is the *only* system that calculates and publishes a daily valuation. The daily valuation reflects financial events almost as they occur. This practice provides a clear representation of the plan's status in a fluctuating economy.

- PERSI has a conservative investment return assumption of 7.25 percent (compared to other systems with assumptions ranging as high as 8.50 percent). The 20-year average return for PERSI is 8.50 percent.

- Unlike other systems, PERSI *does not* provide healthcare benefits for retirees, does require contributions from both the employer and employee — and payments are current, has a reasonable retirement age of 65, applies a 60-month vesting period, does not allow compensation increases (spiking) before retirement, and provides modest benefits (11^{th} lowest in the nation). Many troubled pension systems are beginning to adopt these same practices.

- Some states borrowed funds from their systems to cover other expenses, which contributed to their funding gap. PERSI funds, which are held in a trust and are not part of the state's general fund, may *only be used* for the benefit of the members.

- PERSI is not managed like Social Security. It is not a "pay as you go" system; the future value of benefits are funded as benefits are earned today so future generations will not have the burden of paying for them later.

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- According to GASB accounting standards, all pension systems must be within a 30-year amortization period. In 1993, the Idaho Legislature put in place a more conservative standard. By statute, PERSI must maintain an amortization period of 25 years or less.

  With the scheduled contribution rate increases slated to go into effect starting July 1, 2012, the amortization period is 8.3 years. Without the contribution rate increases the amortization period is 19.3 years.

Reports about PERSI's unfunded actuarial accrued liability (UAAL) often cause confusion. In simple terms, the UAAL is similar to a mortgage where payments are made over a period of time. Retirement benefits, like mortgages, are not due and payable all at once. The only way the UAAL could become an issue is if every PERSI member were to retire today with service credit equivalent to what they would earn over the next 25-30 years. Since that isn't going to happen, PERSI is able to use investment revenues and contributions to maintain appropriate funding levels to pay benefits over time. At the end of Fiscal Year 2010 (June 30, 2010), PERSI was 78.9-percent funded with a UAAL of $2.55 billion; as of April 29, 2011, PERSI is 91.7-percent funded with a UAAL of $ 1.06 billion.

"By applying a conservative approach in both its investing and operational practices, and by relying on the sound structure put in place by state legislators nearly 50 years ago, PERSI has remained one of the strongest and best run public pension systems in the country," says Olson.

The Idaho State Legislature created PERSI in 1963 to provide secure, modest retirement benefits to Idaho's public employees, while minimizing cost and risk to taxpayers. The goal was to create a means for public employees to accumulate pension credits so they would have a more secure old age and not have to rely on taxpayer-funded public assistance programs, and to also provide death and disability benefits. "PERSI decided to release current information to counter balance reports using old data and grouping PERSI with those systems still grappling with funding issues, which can be misleading to our members, legislators, and Idaho taxpayers," explains PERSI Executive Director Don Drum. "PERSI is well-funded; if we comply with the statutes that have served us well over the years, the fund is sustainable."

PERSI administers a plan covering approximately 125,000 PERSI members, retirees and beneficiaries, and more than 740 employers. In fiscal year 2010, PERSI paid $522 million in benefits; 89 percent of that ($465 million) went to retirees living in Idaho, fueling the state's economy through tax revenues and the purchase of goods and services.

Visit the PERSI website at www.persi.idaho.gov.

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