PERSI

2020 PERSI UPDATES & LOOKING FORWARD

Public Employee Retirement System of Idaho

2020

WELCOME

I will be discussing the following topics:

- ✓ Making the new norm work. What does it mean?
- ✓ During fiscal year 2020
- ✓ PERSI and market volatility; impact on fund
- ✓ As of June 30, 2020 and asset value
- ✓ Funding ratio – during the fiscal year
- ✓ Amortization – fiscal year and history
- ✓ Contribution rates and important dates
- ✓ Allocation of net pension liability (NPL)
- ✓ Cost-of-living adjustments
- ✓ FY 2020 Legislation – Rule of 80 and audit process
- ✓ Future legislation – 8-month seasonal employment, eligibility requirements and proposed legislation
- ✓ A reminder regarding return to work
- ✓ PERSI – As of August 10, 2020
- ✓ Possible impact
- ✓ Questions & answers

MAKING THE NEW NORM WORK. WHAT DOES IT MEAN?

ALL PERSI LOBBIES ARE OPEN | FACE MASKS ARE REQUIRED IN PERSI FACILITIES

We are following CDC guidance to promote a safe and healthy environment for staff and members.

For health and safety reasons, we prefer to schedule appointments as Webex/online or phone, rather than in-person.

FOR IN-PERSON APPOINTMENTS, PLEASE KNOW THAT:

- In-person appointments will be limited to 60 minutes. This timeframe will be adhered to allow for proper sanitation practices after the appointment and adequate preparation time before the next appointment.
- The member is allowed to have one (1) guest accompany them.
- Maintain proper physical distance at all times during the appointment. Handshakes are not permitted.
- Once in the meeting room, please plan on staying in the room for the duration of the appointment. Please have all necessary materials with you.

While appointments are required, we understand that there will be circumstances where members need immediate assistance, need forms notarized, or to drop off forms. For these reasons, the following protocols have been established:

- Walk in appointment openings (first come, first served) will be available for members that need immediate assistance or have travelled to an office from out of town. Upon arrival, the walk in will be scheduled for the available appointment slot. To avoid extra persons in the waiting areas, the member will be asked to return at the time of their scheduled appointment.
- A document drop-box will be available in the lobby for member use.

If you have questions, call the PERSI Answer Center at 1-800-451-8228 or 208-334-3365.
For more information go to www.persi.idaho.gov

DURING FISCAL YEAR 2020

Fiscal year 2020 has been historic. We have been able to accomplish a number of goals including clarifying Rule of 80 through legislation, reduction of PERSI rules through the Red Tape Reduction Act, and saw quality performance of the fund amidst significant market volatility.

Despite the current environment and challenges, PERSI staff continue to work and are available to assist you. As we adjust to the new normal, we are committed to providing you the support and resources to navigate this challenging time.

In the following slides, I will discuss PERSI matters, goals we have met and ones we are working towards.

PERSI AND MARKET VOLATILITY

We expect to see market volatility overtime. However, there are times like now, that we cannot predict nor anticipate the outcome. Our actuaries, Retirement Board and staff will continue to use valuations, early warning model scenarios and other data to protect the fund.

As the Plan Administrator, we follow the Plan Sponsor's guidelines to administer the fund.

Since FY2020 ended with a positive return, contribution rate increases are not required for FY2022.

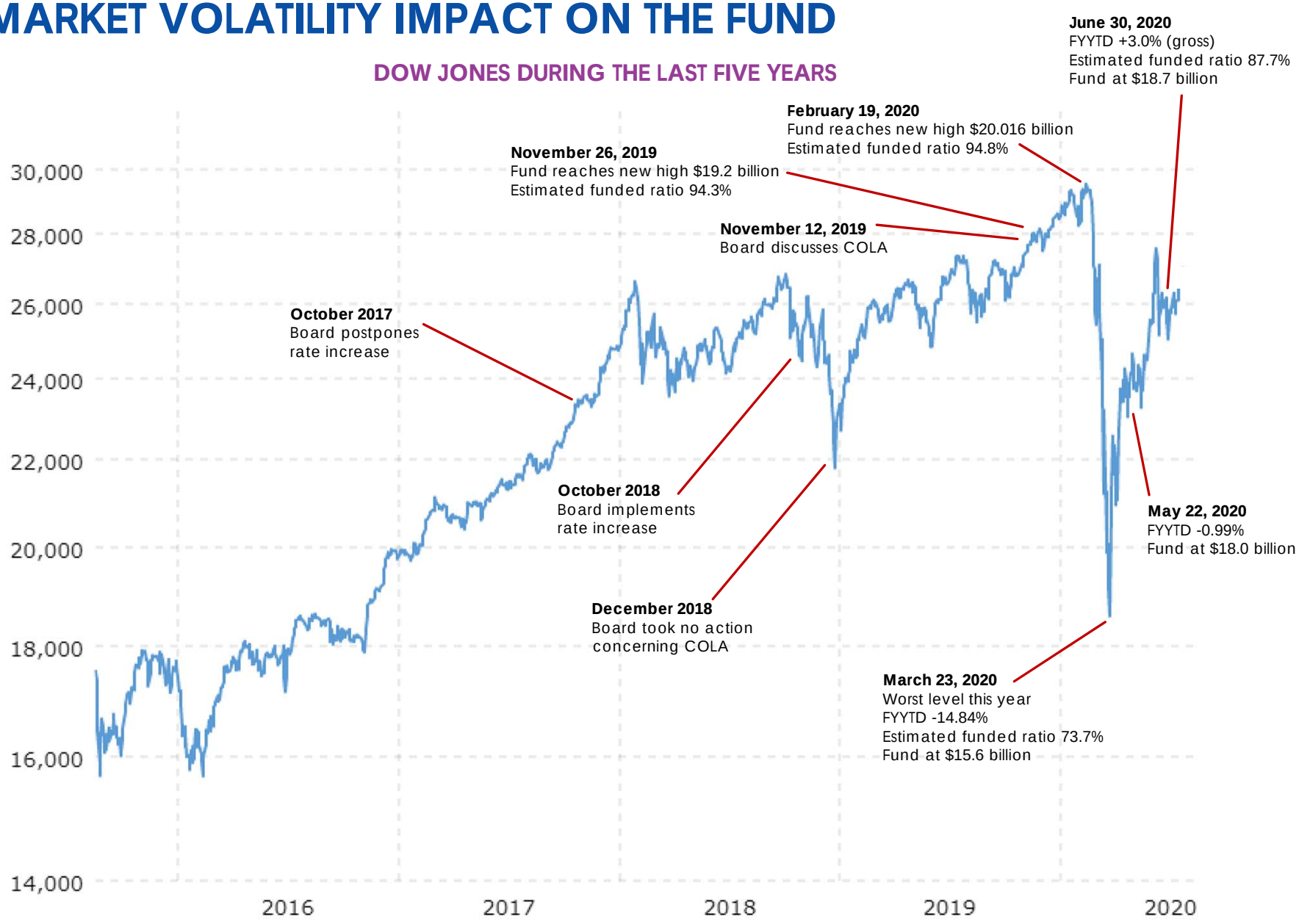
If the amortization period had exceeded 25 years, per Idaho Statute 59-1322(5), the Retirement Board would have been required to take action with a proposed contribution rate increase.

The FY2020 actuarial valuation (official numbers) will be presented to the Board in October.

The Board may consider whether or not to adjust rates at that time.

MARKET VOLATILITY IMPACT ON THE FUND

DOW JONES DURING THE LAST FIVE YEARS

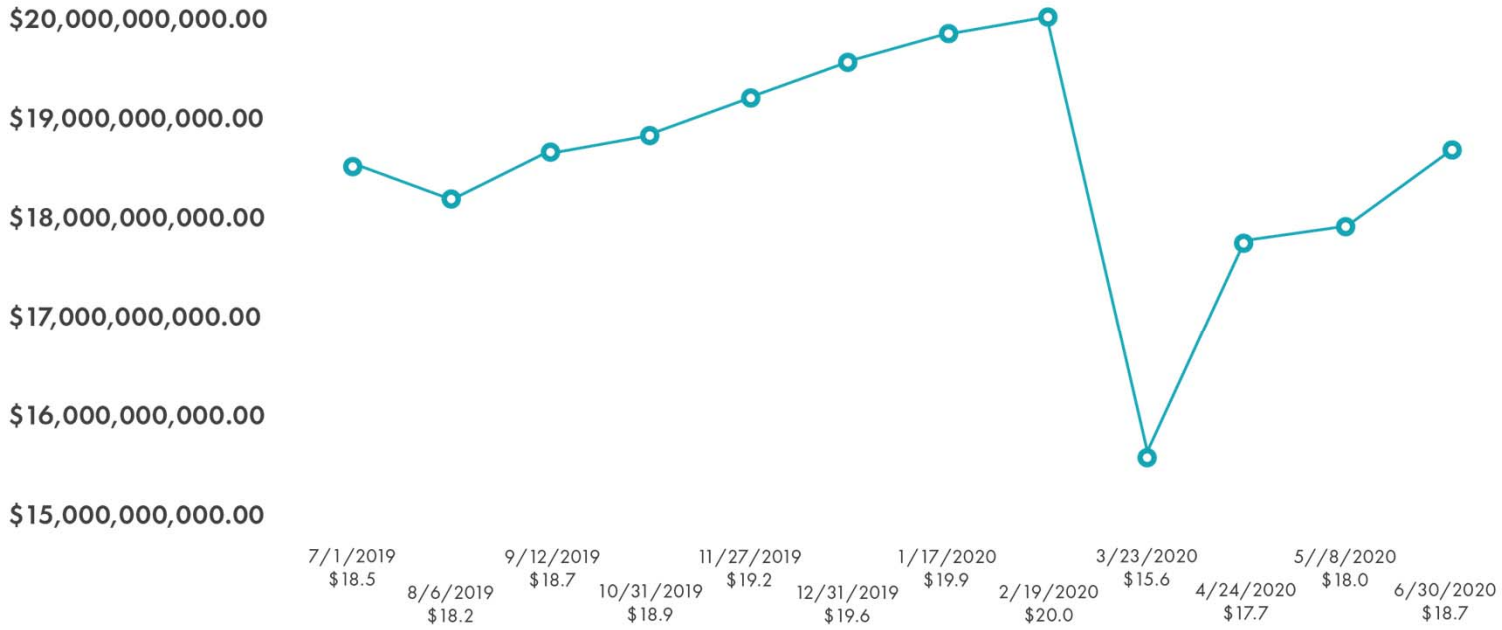


SOURCE: PERSI CIO's Daily Investment Reports

AS OF JUNE 30, 2020* AND ASSET VALUE**

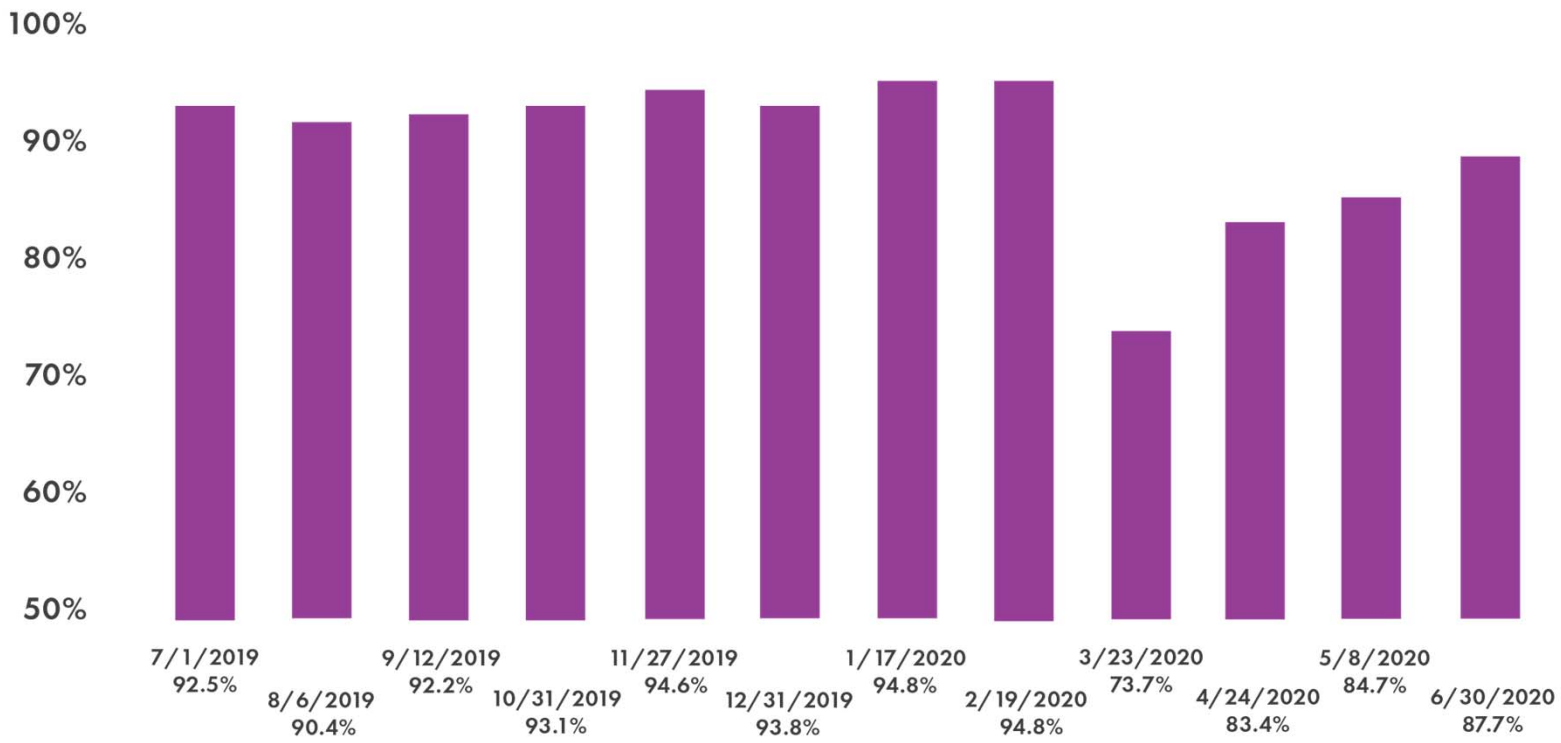
CURRENT VALUE OF THE FUND	$	18,717,043,990
FISCAL YEAR NET CHANGE IN ASSETS	$	197,635,936
FISCAL YEAR TO DATE RETURNS		3.1%**
MONTH TO DATE RETURNS		1.7%
FUNDED STATUS		87.7%
AMORTIZATION PERIOD		20.1 YEARS

2020 FISCAL YEAR



*Source: Daily Investment Reports PERSI Chief Investment Officer. **Asset value is gross, not net of fees. Estimated net of fees is 2.8%.

FUNDING RATIO – DURING THE FISCAL YEAR



SOURCE: PERSI CIO's Daily Investment Reports

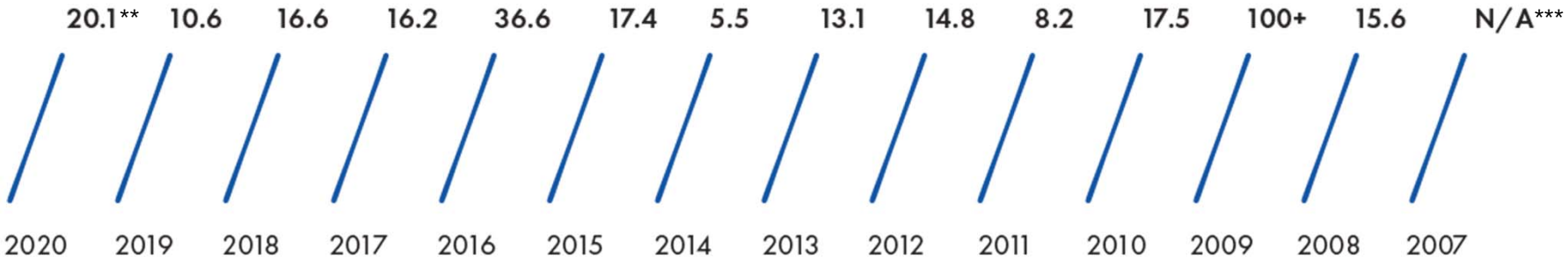
AMORTIZATION – FISCAL YEAR AND HISTORY

FY2020 AMORTIZATION*

20.1 years

- Amortization period determines the future contribution rates.
- Amortization must be under 25 years otherwise the Board must take action per Idaho Statute 59-1322(5).

FISCAL YEARS – AMORTIZATION



*Numbers are not final. Final numbers for fiscal year 2020 will be available at the end of October.
**Numbers are not final. Final numbers for fiscal year 2020 will be available at the end of October.
***Fund had no amortization period since it was fully funded.

CONTRIBUTIONS RATES AND IMPORTANT DATES

	PUBLIC SAFETY		GENERAL MEMBER	
YEAR	EMPLOYER(%)	EMPLOYEE(%)	EMPLOYER (%)	EMPLOYEE(%)
2019-present	12.28	8.81	11.94	7.16

IMPORTANT DATES

- Fiscal Year 2020 ending on June 30, 2020
- October 20, 2020 – Retirement Board meeting – the annual valuation will be presented, contribution rates will be discussed, and COLA may be considered
- December 1, 2020 – Retirement Board meeting – If COLA was not discussed at October's meeting, decision must be made by the end of December's meeting

ALLOCATION OF NET PENSION LIABILITY (NPL)

The Pension Plan Liability is shared by all employers who contribute to PERSI, not PERSI directly. As a contributor to PERSI, you must include the Net Pension Liability on your financial statements.

GASB 68 requires the overall liability to be determined by the percentage of contributions made by each employer compared to the total contributions of all employers combined made to PERSI.

These are calculated for you by PERSI and are posted in October after PERSI's board has approved them. According to GASB you must use the contributions and the percentage from the previous fiscal year. PERSI has a June fiscal year end date.

There are some differences between calculations for schools and non-school employers due to their fiscal year-end dates.

COST-OF-LIVING ADJUSTMENTS BACKGROUND

- Idaho Statute 59-1355 requires PERSI to apply a mandatory 1% cost-of-living adjustment to retirement benefits effective March 1st each year if the CPI-U is 1% or greater. The statute also allows the Board, if they choose to, to give a discretionary COLA.

- The COLA is tied to the Consumer Price Index (CPI-U) for the 12 months ending August of the current year and may not exceed the CPI-U or 6%, whichever is less.

- Retro COLAs, with legislative approval the Board can grant a post-retirement cost of living adjustment for any previous year (or years) up to the full amount of the increase in the CPI-U for that year. Retro COLAs are created when the full CPI-U is not granted.

- During the 1990s, the Legislature and PERSI leadership developed a plan regarding COLAs along with protecting retirees' purchasing power. This resulted in the PERSI Board being instructed to safeguard the purchasing power of retirees while protecting the fund.

- The Board's COLA recommendation is subject to amendment or rejection by the Idaho Legislature.

- COLA for FY2021 will be looked at in December 2020.

FISCAL YEAR 2020 – COST-OF-LIVING ADJUSTMENTS

DECEMBER BOARD MEETING

At the 2019 December Board meeting, the Board discussed the cost-of-living adjustment (COLA) for retirees. As a result of positive investment returns at the end of 2019, the Board recommended a discretionary COLA of 0.70% for FY2020, in addition to the legislative mandated 1% COLA.

They also recommended retro COLAs from FY2011 (1.77%), FY2012 (0.69%), FY2013 (0.52%) and FY2018 (1.70%). Going forward, there are no remaining retro COLAs on the shelf.

The legislature is required to review, and either approve or disapprove discretionary and retro COLAs. If no action is taken by the 45th day of session, the Board recommended adjustments become effective the first of March.

LEGISLATURE – 45TH DAY OF SESSION

The Idaho Legislature did not take action concerning discretionary and retro COLAs, thus adjustments became effective on March 1, 2020. **NOT** all retirees received a retro COLA.

Adjustments varied based on the retiree's retirement date. Affected retirees received a Benefit Change notice informing them of the adjustment.

FISCAL YEAR 2020 LEGISLATION – RULE OF 80

This past session PERSI proposed legislation to clearly define the intent of the legislature on who receives "police officer member" status, or "rule of 80" for retirement purposes. This legislation passed without any opposition.

MODIFICATIONS TO IDAHO STATUTE 59-1303

- Clarify Rule of 80 – Class 2
- Prevent misclassification
- Give PERSI audit authority
- Petition Retirement Board for individual misclassifications
- Classifications are designated by law

WHO QUALIFIES?

Idaho Statute 59-1303(3) states agencies with qualifying rule of 80 positions include:

- **IDAHO STATE POLICE – 59-1303(3)(a)**
- **COUNTY LAW ENFORCEMENT – 59-1303(3)(b)**
- **CITY LAW ENFORCEMENT – 59-1303(3)(c)**
- **FISH AND GAME – 59-1303(3)(d)**
- **DEPARTMENT OF CORRECTIONS – 59-1303(3)(e)**
- **MISCELLANEOUS – 59-1303(3)(f) through 59-1303(3)(j)**

WHY THE CHANGES?

- Clarifies and focuses on the job title & principal duties
- Removes subjectivity
- New members classified correctly
- Rule of 80 rights retained for current members

NOTE: Rule of 80, member status has increased as a percentage of the total population of PERSI membership. Actuarial review of the increased rule of 80 membership indicates that a rate increase for all Class II (public safety members) may be required to fund the increased cost.

RULE OF 80 AUDIT PROCESS – DOING IT RIGHT

When a member is hired as a Class 2, the employer will need to:

- Put them on transmittal
- Send in an **Employer Certification of Police Officer Status/RS118 form** along with a job description to PERSI

If the employer does not send in the RS118 form, there will be an error on the transmittal. PERSI will override this error the first time.

If it happens again, PERSI will **not**:

- Override the error
- Process the transmittal

Upon receipt of the RS118, the member's record will be reviewed/audited by the PERSI Quality Assurance Department.

If you have any questions, please contact PERSI's Quality Assurance Department.

RULE OF 80 AUDIT PROCESS – EXAMPLE

Rick was hired as a Paramedic Program Coordinator by his PERSI employer.

His employer, believing the position qualified for Rule of 80 under Idaho Statute 59-1303(3)(h), sent the required **Employer Certification of Police Officer Status/RS118 form** along with a job description to PERSI.

During the audit process the misclassification error was caught. Rick's position is not listed in any of the job titles under Idaho Statute 59-1303(3)(h).

Idaho Statute 59-1303(3)(h) states:
(h) Employees whose primary function requires that they are certified by the Idaho department of health and welfare as an emergency medical technician-basic, an advanced emergency medical technician-ambulance, an emergency medical technician-intermediate, or an emergency medical technician-paramedic;

Why doesn't Rick's position qualify? While a Program Paramedic Coordinator is required to be licensed due to IDAPA rules, based on the essential functions of their job duties, the auditor did not find that the position of Paramedic Program Coordinator met the definition of a Rule of 80 employee, per Idaho Statute 59-1303.

Since Rick had not yet been placed on transmittal to PERSI, his position was correctly classified as a Class 1/general member.

Had he been incorrectly classified as Rule of 80/class 2 on transmittal and contributions collected, once corrected a refund would have been required.

Rick's retirement eligibility would also change. As a Rule of 80/class 2 member he would have been able to retire at age 50, but as a class 1/general member the earliest he can retire is age 55.

FUTURE LEGISLATION – 8-MONTH SEASONAL EMPLOYMENT

Under Idaho statute Idaho Code 59-1302 (14)(B), the following are the statutory instances of employment where the worker is **not** an employee for purposes of PERSI:

- **CONTRACTOR/INDEPENDENT WORKER/FREE AGENT**
- **TEMPORARY WORKER/SHORT TERM/IMPERMANENT**
- **SHELTERED WORK/MADE-WORK/SUPPORTED EMPLOYMENT**
- **INCARCERATED/IMPRISONED/JAILED INMATE**
- **STUDENT**
- **CIVIL SERVICE EMPLOYEES**
- **SUBSTITUTE TEACHER**
- **SEASONAL WORKER**
- **EMPLOYEES OF PARTICULAR STATE EMPLOYERS**

Legislation will help clarify and define requirements for seasonal employees including but not limited to:

- Break in service – 30 days
- No promise of future employment
- Job description – clear definition
- Eligibility – when does an employee qualify as a PERSI member

NOTE: 8-month seasonal employment is only available to cities, counties, irrigation districts, cemetery districts, and mosquito abatement districts.

CURRENT ELIGIBILITY REQUIREMENTS

Not all employment through a PERSI employer is eligible for PERSI membership. Specific exclusions to the definition of an "Employee" can be found in Idaho Code 59-1302(14)(B).

(B) "Employee" does not include employment as:

(a) A person rendering service to an employer in the capacity of an independent business, trade or profession; or

(b) A person whose employment with any employer does not total five (5) consecutive months; or

(c) A person provided sheltered employment or made-work by a public employer in an employment or industries program maintained for the benefit of such person; or

(d) An inmate of a state institution, whether or not receiving compensation for services performed for the institution; or

(e) A student enrolled in an undergraduate, graduate, or professional-technical program at and employed by a state college, university, community college or professional-technical center when such employment is predicated on student status; or

(f) A person making contributions to the director of the office of personnel management under the United States civil service system retirement act except that a person who receives separate remuneration for work currently performed for an employer and the United States government may elect to be a member of the retirement system in accordance with rules of the board; or

(g) A person not under contract with a school district or charter school, who on a day-to-day basis works as a substitute teacher replacing a contracted teacher and is paid a substitute wage as established by district policy or who on a day-to-day basis works as a substitute assistant replacing a staff instruction assistant or a staff library assistant and is paid a substitute wage as established by district policy; or

(h) A person occupying a position that does not exceed eight (8) consecutive months in a calendar year with a city, county, irrigation district, cemetery district or mosquito abatement district when the city, county, irrigation district, cemetery district or mosquito abatement district has certified, in writing to the system, the position is: (i) seasonal or casual; and (ii) affected by weather, including parks, golf course positions and irrigation positions; or

(i) A person in a position that: (i) is eligible for participation in an optional retirement program established under section 33-107A or 33-107B, Idaho Code, or (ii) would be eligible for participation in an optional retirement program established under section 33-107A or 33-107B, Idaho Code, if the person was not working less than half-time or fewer than twenty (20) hours per week.

PROPOSED LEGISLATION

(14) (A) Employee" means:

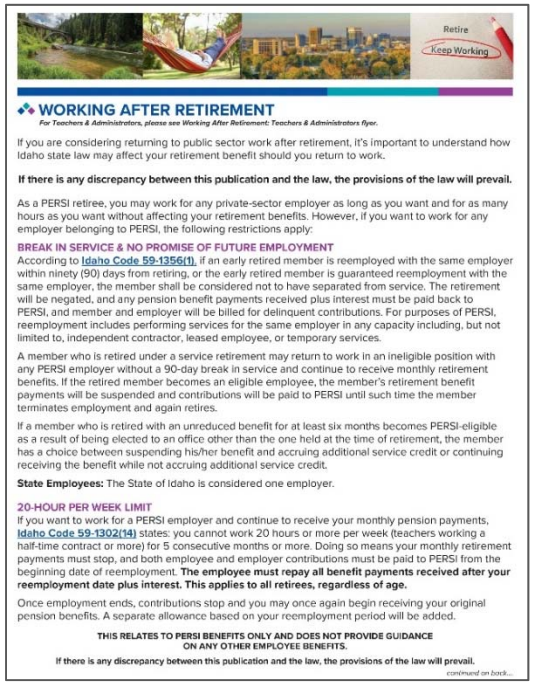
(h) A person occupying a position that does not exceed eight (8) consecutive months with a city, county, irrigation district, cemetery district or mosquito abatement district when the city, county, irrigation district, cemetery district or mosquito abatement district has certified, in writing to the system, the position is: (i) seasonal or casual; (ii) affected by weather; and (iii) that there has been a thirty (30) day break in service, with no promise of reemployment prior to being reemployed or reinstated by the same employer. A “seasonal or casual” position is a temporary working arrangement limited to a certain period of time based on the temporary needs of the employer. “Affected by weather” means a position that is short-term and is only available for a portion of the year and begins and ends roughly the same part of each calendar year, such as snowplow drivers in winter or parks positions, golf course positions, irrigation positions, and lifeguards for public pools in summer; or

A REMINDER REGARDING RETURN TO WORK

If a retiree is considering returning to public sector work after retirement, it's important to understand how Idaho state law may affect their retirement benefit.

As a PERSI retiree, they may work for any private-sector employer as long as they want and for as many hours as they want without affecting their retirement benefits. However, if they want to work for any PERSI employer restrictions do apply.

Please go to www.persi.Idaho.gov to learn about the requirements for returning to work for a retiree, and returning to work for a retiree in a certified instructional staff or pupil service staff position.



Retire
Keep Working

WORKING AFTER RETIREMENT

For Teachers & Administrators, please see Working After Retirement: Teachers & Administrators flyer.

If you are considering returning to public sector work after retirement, it's important to understand how Idaho state law may affect your retirement benefit should you return to work.

If there is any discrepancy between this publication and the law, the provisions of the law will prevail.

As a PERSI retiree, you may work for any private-sector employer as long as you want and for as many hours as you want without affecting your retirement benefits. However, if you want to work for any employer belonging to PERSI, the following restrictions apply:

BREAK IN SERVICE & NO PROMISE OF FUTURE EMPLOYMENT

According to Idaho Code 59-1356(1), if an early retired member is reemployed with the same employer within ninety (90) days from retiring, or the early retired member is guaranteed reemployment with the same employer, the member shall be considered not to have separated from service. The retirement will be negated, and any pension benefit payments received plus interest must be paid back to PERSI, and member and employer will be billed for delinquent contributions. For purposes of PERSI, reemployment includes performing services for the same employer in any capacity including, but not limited to, independent contractor, leased employee, or temporary services.

A member who is retired under a service retirement may return to work in an ineligible position with any PERSI employer without a 90-day break in service and continue to receive monthly retirement benefits. If the retired member becomes an eligible employee, the member's retirement benefit payments will be suspended and contributions will be paid to PERSI until such time the member terminates employment and again retires.

If a member who is retired with an unreduced benefit for at least six months becomes PERSI-eligible as a result of being elected to an office other than the one held at the time of retirement, the member has a choice between suspending his/her benefit and accruing additional service credit or continuing receiving the benefit while not accruing additional service credit.

State Employees: The State of Idaho is considered one employer.

20-HOUR PER WEEK LIMIT

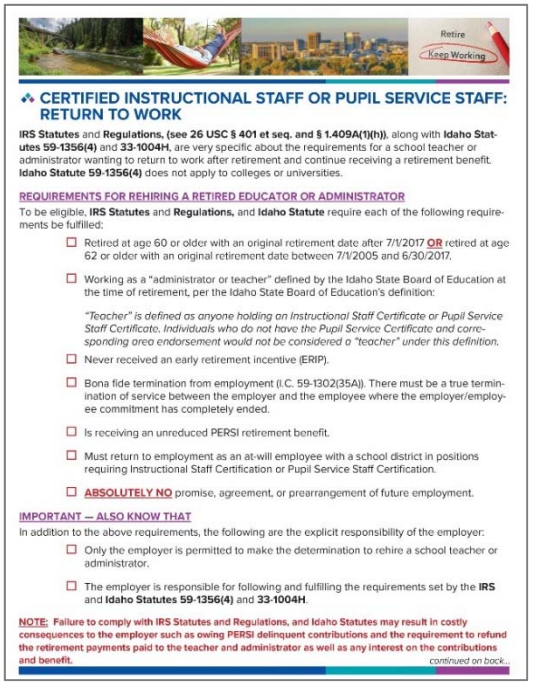
If you want to work for a PERSI employer and continue to receive your monthly pension payments, Idaho Code 59-1302(14) states: you cannot work 20 hours or more per week (teachers working a half-time contract or more) for 5 consecutive months or more. Doing so means your monthly retirement payments must stop, and both employee and employer contributions must be paid to PERSI from the beginning date of reemployment. **The employee must repay all benefit payments received after your reemployment date plus interest. This applies to all retirees, regardless of age.**

Once employment ends, contributions stop and you may once again begin receiving your original pension benefits. A separate allowance based on your reemployment period will be added.

THIS RELATES TO PERSI BENEFITS ONLY AND DOES NOT PROVIDE GUIDANCE ON ANY OTHER EMPLOYEE BENEFITS.

If there is any discrepancy between this publication and the law, the provisions of the law will prevail.

continued on back...



Retire
Keep Working

CERTIFIED INSTRUCTIONAL STAFF OR PUPIL SERVICE STAFF: RETURN TO WORK

IRS Statutes and **Regulations, (see 26 USC § 401 et seq. and § 1.409A(1)(h))**, along with **Idaho Statutes 59-1356(4)** and **33-1004H**, are very specific about the requirements for a school teacher or administrator wanting to return to work after retirement and continue receiving a retirement benefit. **Idaho Statute 59-1356(4)** does not apply to colleges or universities.

REQUIREMENTS FOR REHIRING A RETIRED EDUCATOR OR ADMINISTRATOR

To be eligible, **IRS Statutes** and **Regulations,** and **Idaho Statute** require each of the following requirements be fulfilled:

- ☐ Retired at age 60 or older with an original retirement date after 7/1/2017 **OR** retired at age 62 or older with an original retirement date between 7/1/2005 and 6/30/2017.
- ☐ Working as a "administrator or teacher" defined by the Idaho State Board of Education at the time of retirement, per the Idaho State Board of Education's definition:

  "Teacher" is defined as anyone holding an Instructional Staff Certificate or Pupil Service Staff Certificate. Individuals who do not have the Pupil Service Certificate and corresponding area endorsement would not be considered a "teacher" under this definition.
- ☐ Never received an early retirement incentive (ERIP).
- ☐ Bona fide termination from employment (I.C. 59-1302(35A)). There must be a true termination of service between the employer and the employee where the employer/employee commitment has completely ended.
- ☐ Is receiving an unreduced PERSI retirement benefit.
- ☐ Must return to employment as an at-will employee with a school district in positions requiring Instructional Staff Certification or Pupil Service Staff Certification.
- ☐ **ABSOLUTELY NO** promise, agreement, or prearrangement of future employment.

IMPORTANT — ALSO KNOW THAT

In addition to the above requirements, the following are the explicit responsibility of the employer:

- ☐ Only the employer is permitted to make the determination to rehire a school teacher or administrator.
- ☐ The employer is responsible for following and fulfilling the requirements set by the **IRS** and **Idaho Statutes 59-1356(4)** and **33-1004H**.

NOTE: Failure to comply with IRS Statutes and Regulations, and Idaho Statutes may result in costly consequences to the employer such as owing PERSI delinquent contributions and the requirement to refund the retirement payments paid to the teacher and administrator as well as any interest on the contributions and benefit.

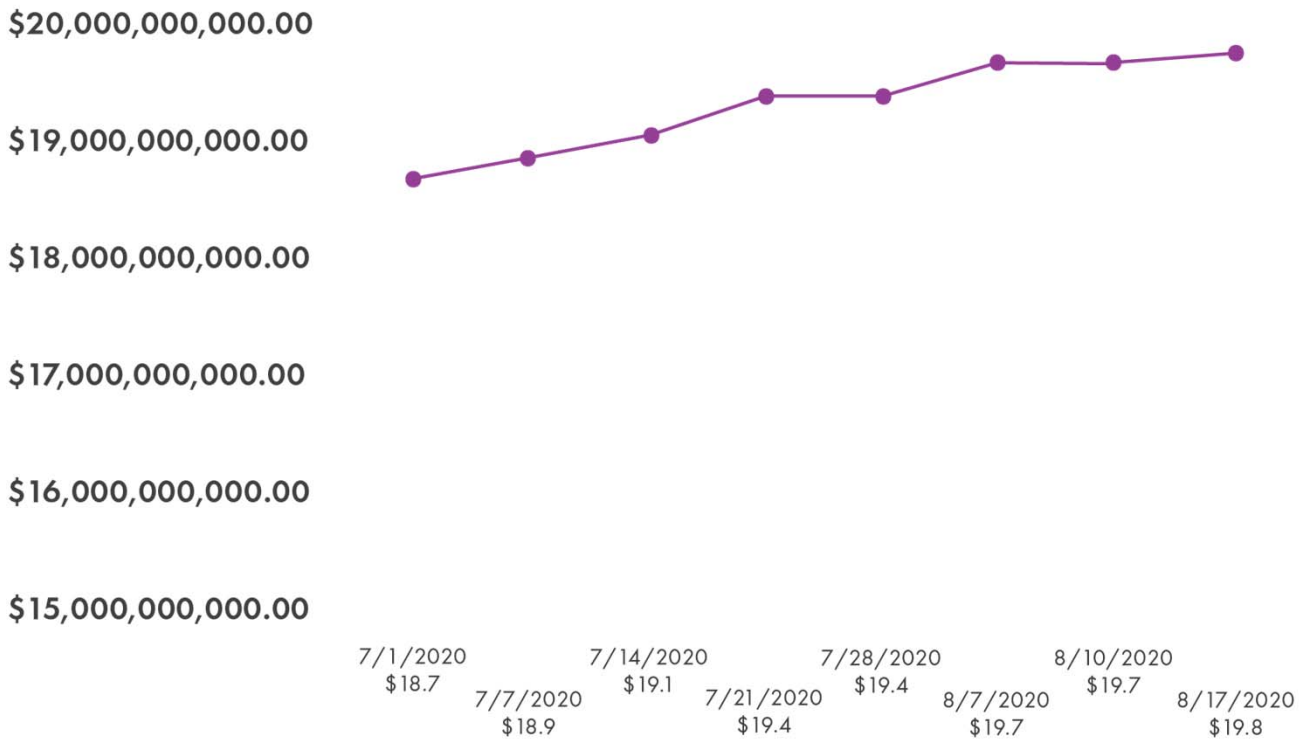
continued on back...

NOTE: A break in service is **required** to return to work after retiring.

PERSI – AS OF AUGUST 17, 2020*

CURRENT VALUE OF THE FUND	$	19,831,777,947
FISCAL YEAR NET CHANGE IN ASSETS	$	1,114,733,957
FISCAL YEAR TO DATE RETURNS		6.0%
MONTH TO DATE RETURNS		1.9%

BEGINNING OF FISCAL YEAR 2021*



*Source: Daily Investment Reports PERSI Chief Investment Officer

POSSIBLE IMPACT

We ended fiscal year 2020 better than other systems. With that said, as the Plan Administrator we continue to follow the guidelines the Plan Sponsor/Legislature provides us.

We cannot predict or speculate what FY2021 will look like. There are still too many unknowns to consider how current events will impact future outcomes.

We do know that per Idaho Statute 59-1322(5), the Retirement Board must act if the amortization period for the Fund's unfunded actuarial liability (UAL) exceeds 25 years.

Since we ended fiscal year 2020 with a positive return and the fund's amortization is less than 25 years, a contribution rate increase is not necessary.

However, as I said at the beginning of this presentation, the Board may or may not consider adjusting rates. We will know more after the October Board meeting.

Questions & Answers

THANK YOU
FOR YOUR TIME & ATTENDING!

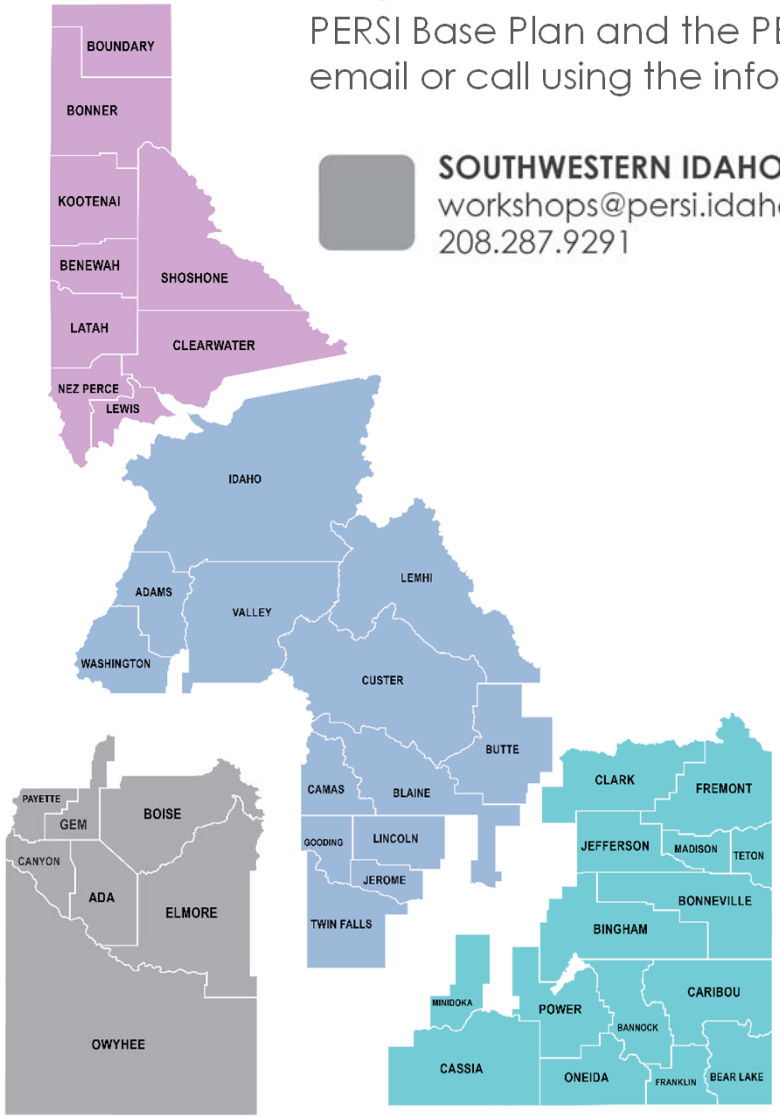
PERSI

For additional information concerning the Rule of 80 audit process, contact: Quality Assurance Department

Lisa Conn, Manager
208-287-9545
lisa.conn@persi.idaho.gov

FOR ADDITIONAL EDUCATION

PERSI's trainers are available to provide educational workshops/webinars* on the PERSI Base Plan and the PERSI Choice 401(k) Plan. These can be requested by email or call using the information listed below.



SOUTHWESTERN IDAHO SHARED
workshops@persi.idaho.gov
208.287.9291

PERSI TRAINERS

MARIA QUITUGUA
Northern Idaho Territory
maria.quitugua@persi.idaho.gov
208.287.9508

RAYMOND MIKUS
Central Idaho Territory
raymond.mikus@persi.idaho.gov
208.287.9292

KELSEY WHITE
Southeastern Idaho Territory
kelsey.white@persi.idaho.gov
208.287.9282

*We look forward to holding in-person workshops again once current conditions improve.

In the meantime, we are excited to continue providing the same excellent PERSI member service in our detailed and valuable educational workshops through secure webinars.