



August 15, 2011

The feedback I've received on my series of communiqués has been overwhelmingly positive, so I've decided to continue beyond my original intent of two or three letters. I began traveling the state last month to meet with legislators, employers, constituency groups, and members. The insights provided by those I've met with are already proving valuable to PERSI's education and communications programs.

I want to head in a new direction this month by sharing with you how PERSI impacts Idaho's economy. For Fiscal Year ended June 30, 2011, PERSI paid more than \$571 million to retirees and beneficiaries, of which \$510 million (89.3%) went to retirees with Idaho addresses. This means millions of dollars are spent within the state and taxes are paid by benefit recipients. Attached is a map that breaks down by county where retirement benefits were paid during the last fiscal year.

While it may be common knowledge PERSI retirement benefits boost Idaho's economy, a lesser known fact is that during the "Great Recession" PERSI was considered by many as the "only game in town" when it came to granting commercial loans. While banks and other lending institutions were holding back money, PERSI continued to invest in Idaho businesses through its commercial mortgage program. The program's portfolio jumped from around \$200 million to approximately \$500 million over the past couple of years as Idaho businesses saw traditional lenders freeze assets because of the uncertain economy. If PERSI had taken that same approach, there would have been an additional \$300 million shock to Idaho's commercial economy. The interesting fact is PERSI does not "chase" loans, nor is there pressure to originate loans. What we found was when conventional sources stopped lending, borrowers from throughout the state (from Sandpoint and Coeur d'Alene to Ammon and fast-growing Meridian and Boise) turned to PERSI...many for the first time. Because PERSI continued making loans consistent with industry standards, the state saw a positive cascading effect: local businesses were able to conduct business as usual and employees continued to get paid and spend money in their communities.

Each year independent consultant Berkadia Commercial Mortgage performs a review of PERSI's commercial mortgage program that includes interviewing borrowers. An architect, an attorney, a hotel chain, and an investor who develops multi-family housing projects were among the ten interviewed this year. Each borrower had positive comments about the PERSI program; one common statement made by all borrowers was they liked dealing with an Idaho lender where they could work to customize their loans. With the economy slowly improving, PERSI expects to see lending competition start to increase...and that's good for Idaho. Although PERSI is paying close attention to a couple of loans, we can proudly say PERSI has not had a foreclosure in more than a decade. Not many traditional lending institutions can make such a claim.

I hope you found these facts about how PERSI affects the Idaho economy both interesting and thought provoking.

Best regards,
Don Drum
Executive Director

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PERSI Benefits Paid in FY 2011
To Retirees Living in the State of Idaho

\$509.9 million

(Values are preliminary and may vary from the official Actuarial Report.)

