



July 14, 2015

Dear Idaho Lawmaker:

I will soon be on the road, meeting with as many legislators as possible to discuss issues related to PERSI. Over the next several weeks, you will receive a series of letters updating you on PERSI's progress, and drawing your attention to matters you may encounter during the upcoming session.

This year, we begin with a timely topic - perceived "pension spiking" for former legislators. Idaho Code exempts legislators from the "split calculation" method of determining retirement benefits for elected or appointed officials who normally work fewer than 20 hours a week. This legislative exemption means the benefit calculation at retirement will apply the highest average monthly salary to all months of service instead of only those months actually worked in the higher paying job. PERSI takes no position on this issue; this letter is meant to help you better understand the facts.

Approximately six former Idaho legislators have recently been appointed or elected to higher paying PERSI-eligible posts in state government, in turn affording them an opportunity to enhance their future retirement benefits. Enclosed you will find clips from a couple of recent news articles. These situations have been portrayed as excessive (especially when represented in the form of a percentage increase), a detriment to the PERSI fund, or an added burden on taxpayers.

The fact is these benefits often fall in line with those of long-serving non-legislators retiring from high level positions in government. With nearly \$15 billion in assets, the PERSI fund will experience no material impact as a result of the legislative exemption. Further, over 70% of the dollars used to pay PERSI retirement benefits are generated from investment returns and employee contributions. The retirement benefits are paid out of the PERSI fund and do not directly impact taxpayers. Employer and employee contributions come to PERSI directly from the employer, and are considered part of the "total compensation" earned by the employee. A Hay study conducted 3 years ago indicated Idaho state employee cash compensation lags 29% behind the private sector and 10% behind our peer states - and while benefits (including retirement) are at or above the market average, total compensation remains below market average in both public and private sector markets. Prior to the recent examples, only about 20 former legislators had made a similar transition into a higher paying position before retiring. Taken individually, or as a whole, the legislative exemption has not materially impacted the PERSI fund.

Again, throughout the summer and into the fall, I will be traveling the state to meet with legislators, employers, members and constituency groups. If you would like to meet to talk about this or other issues, please contact Jess Simonds at 208-287-9307.

Best regards,

A handwritten signature in blue ink, appearing to read "Don Drum".

Don Drum  
PERSI Executive Director

Enc.