



September 2, 2015

Dear Idaho Lawmaker:

Over the past four years, I have focused on enhancing my communications with PERSI's Plan Sponsor, the Idaho Legislature. My intent is to continue these efforts and inform you of the ever-changing landscape surrounding public pension systems. I recently attended a conference of state retirement system directors, where some discussion revolved around pension reform. Virtually every state has enacted some type of pension reform in recent years, which for Idaho came in 2013 with the implementation of a 1.5% contribution rate increase. Three takeaways from the conference were first, that major pension reform has slowed around the country; second, most systems are either sticking with or bringing a defined benefit (DB) component back to their overall design; and last, there is not a one-size-fits-all solution when it comes to meeting key retirement plan objectives, including the ability of public employers to manage their workforce while assuring a source of adequate retirement income for workers. I want to share a couple of pieces of research that were highlighted at the conference:

First, a nationwide public opinion research report issued by the National Institute on Retirement Security (NIRS) finds that an overwhelming majority of Americans - 86 percent - believe the nation faces a retirement crisis. While nearly 75% of Americans are concerned about their ability to achieve a secure retirement, support for steady and reliable retirement income from a DB pension is high and growing. 82 percent say a pension is worth having because it provides steady income that won't run out, and 67 percent indicate that they would be willing to take less in salary increases in exchange for guaranteed income in retirement. You can find the entire report online at:

http://www.nirsonline.org/storage/nirs/documents/2015%20Opinion%20Research/final_opinion_research_2015.pdf

A separate study conducted by the National Association of State Retirement Administrators (NASRA) identified Idaho's PERSI as one of the nation's top performers when it comes to ensuring adequate funding. The study examined the annual required contribution (ARC) experience of state retirement plans from 2001 through 2013, and found that systems whose contributions are paid in-full and on-time (like PERSI) tend to enjoy healthier funding. The full paper can be found at the following address on the internet:

<http://www.nasra.org/arc>

Additional key findings from the NASRA study:

- While most states made a good-faith effort to fund their pensions in the period following two recessions, funding discipline lapsed, significantly in some cases (not in Idaho).
- Restoration of pension funding is a chief component in pension reform to ensure plan sustainability.

- Payment of the ARC is more likely to occur in states (such as Idaho) with statutory, constitutional, or policy provisions requiring it.

The good news is that funding levels have been improving for government pension systems, and PERSI continues to lead the pack. The reason for this is simple - PERSI's Plan Sponsor (the Idaho Legislature) was wise in providing a modest benefit, while requiring by statute that all required participant contributions (including that contribution rate increase in 2013) are made on-time and in-full, and ensuring that no benefit will be promised without an ongoing and reliable means of paying for it.

As a reminder, 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 PERSI-related issues, please contact my assistant, Jess Simonds at 208-287-9307.

Best regards,

A handwritten signature in black ink, appearing to read "Don Drum". The signature is fluid and cursive, with a long horizontal stroke at the end.

Don Drum
PERSI Executive Director