



October 28, 2015

Dear Idaho Lawmaker:

My out-of-session communications with state lawmakers have proven valuable, so I am continuing to send them this year. Amid recent stock market volatility, and with the new legislative session approaching, I want to touch on PERSI's current events, status, and sustainability.

PERSI ended the fiscal year (June 30th) with 766 employers, 67,183 active members (a 1.1% increase over the previous year), and 43,053 retirees (a 4.6% increase over the previous year). This month, two notable additional employers are joining PERSI - Gooding and Twin Falls Counties. With these new employers, PERSI now supports the retirement security for employees of every county in the state.

The first 11 months of Fiscal Year 2015 were on track to meet PERSI's assumed rate of return of 7%. On April 24th PERSI achieved an all-time total asset value high of \$15.4 billion. We then took a step backward in June and ended the year at approximately \$14.9 billion (an approximate 2.7% investment return). Funded status at fiscal year-end was approximately 90% -- down slightly from the previous year. Unfunded liability (UAAL) increased from \$900 million to \$1.55 billion, year-to-year. The amortization period to pay down the UAAL increased from 11.6 years to 18.5 years. By law, the PERSI Board must act if the amortization period exceeds 25 years. Despite paying more in benefits than we collect in contributions (as well as a recently unstable market), net assets continue to hold up -- currently hovering around \$14.7 billion.

It is important to keep in mind that, while PERSI investments are subject to market fluctuations, the portfolio is well diversified, and built to sustain the system long-term. Regardless of changes in the global economy, PERSI remains steadfast in its investment philosophy: SIMPLE - control liabilities and rely on market returns with 70/30 equity/fixed mix; TRANSPARENT - easy to understand and explain, concentrate on broad structures and strategies, and no black box investing; FOCUSED - look at the big picture over the long term, concentrate on material impacts on overall portfolio, and maintain a small staff and citizen board; PATIENT- react occasionally or not at all, recognize that daily and yearly markets are often abnormal, avoid need for numerous decisions, and strive for long-term consistency. Since inception, PERSI's average annual rate of return is over 8%, well above what is needed for long-term sustainability of the fund.

Throughout the fall, I will continue traveling the state to meet with legislators, employers, members and constituency groups. If you would like to meet with me to talk about funding, sustainability, or other issues, please contact Jess Simonds at 208-287-9307.

Best regards,

Don Drum
PERSI Executive Director