



June 9, 2016

Dear Idaho Lawmaker:

I will soon be on the road again this summer and fall, meeting with employers and as many legislators as I can, to discuss issues related to PERSI. I am anticipating the 2017 session will be somewhat busier than normal, as it relates to PERSI. This letter is intended to draw your attention to matters you may encounter during the upcoming session, including possible contribution rate increases, and a number of potential pieces of legislation I anticipate will be proposed. I invite you to schedule a time to meet with me in advance of next year's session. Below are just some of the issues I am prepared to discuss:

CONTRIBUTION RATES

As the end of fiscal year 2016 draws near, it is looking more and more like investment returns will fall short of the expected 7% net. If we end the year on June 30th with a net return below 4%, the amortization period to pay down the unfunded liability would likely exceed the statutorily allowed 25 years – requiring the PERSI Board to act by proposing increased contribution rates. While it is too early to know what percentage of increase might be required, any rate increase will have a budgetary impact on all PERSI employers -- including the State.

EMPLOYER NET PENSION LIABILITY

Lower than expected investment returns would also contribute to an increased Net Pension Liability (NPL) -- an accounting measurement shared by, and individually reported by each of PERSI's 770+ employers. An employer's share of PERSI's NPL does not result in an expense which must be paid in the current budget cycle. Contributions are paying the NPL and reporting NPL on financial statements only changes where and how pension costs are accounted for in financial statements. The required reporting of a higher NPL may elevate concern among employers and their constituents.

Please understand, PERSI is still in very good shape and still considered among the most stable and best funded systems in the country. Later this summer, you will receive another letter detailing PERSI's status once the books close on fiscal year 2016.

I want to thank all of Idaho's legislators – past and present – for all of your hard work in designing, maintaining, and protecting PERSI. Over the years, I have found summer and fall meetings to be very helpful for PERSI and legislators. If you would like to meet with me, please contact Jess Simonds at 208-287-9307.

Best regards,

A handwritten signature in black ink that reads "Don Drum".

Don Drum
PERSI Executive Director