PERSI

NEWS TO USE

A newsletter for PERSI employers

December 2012

- Contribution Rate/COLA
- Reporting Changes
- IRIS Update

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CONTRIBUTION RATE TO INCREASE JULY 1, 2013 & 1% COLA

At its December 4, 2012 meeting, the PERSI Retirement Board briefly discussed the contribution rate increase, the cost-of-living adjustment (COLA) for retirees and other issues. Neither the increase nor the COLA required action by the Board. Because the rate increase of approximately 1.5% has been on the table for two years, the Board did not have to take action for it to go into effect automatically on July 1, 2013. By statute (59-1355) a discretionary COLA requires the Board to act, but a 1% COLA (assuming the CPI-U is greater than or equal to 1%), does not require Board action.

RATE INCREASE

Employees and employers split the cost of the total rate increase. Currently, employees pay 6.23% of pay (about one-third of total) and employers pay 10.39% of payroll (about two-thirds of total) in contributions. With the increase, general employees will pay 6.79% and employers will pay 11.32%. (See table on back.)

Many complex factors affect PERSI contribution rates; however, the effect of market volatility that continued into 2009 was the primary reason the increase was initially proposed. Contribution rate increases and decreases (as happened in 1996 when PERSI rates went down), are considered normal for retirement systems with a defined benefit plan.

Executive Director Don Drum has traveled the state in recent years talking with members, employers, constituency groups, and lawmakers about the contribution rate increase and other issues. PERSI has done its best to keep all interested parties informed through meetings, presentations, web announcements, and newsletters. The message from PERSI to employers has always been that they should prepare for the increase. While employers would prefer rates to remain unchanged, the majority told PERSI they trust the Retirement Board to protect and sustain the fund.

The Idaho system is among a handful of systems not to make benefit adjustments to address underfunding created by the global market downturn.

- Since 2009, PERSI's unfunded liability has been reduced by 35% without the proposed rate increases.
- Between 2009 and 2011, 43 states enacted benefit cuts or increased employee contributions.
- The trend continued in 2012, with seven states enacting major reforms.

Reforms by other states have included changing the benefit formula, raising age and years of service requirements for retiring, increasing the vesting period, changing economic assumptions, boosting contribution rates, and either limiting or doing away with annual cost-of-living (COLA) increases. PERSI's approach is conservative. Along with the small rate increase, effective July 1, 2012 the Retirement Board reduced PERSI's net return assumption to 7%, making it the among the lowest of all public funds.*

[* Economic assumptions are generally chosen based on our actuary's expectations about the effect of future economic conditions on PERSI operations. These estimates are based on a mixture of experience, future expectations, and professional judgment. Plan assumptions anticipate a certain amount will be earned by the trust from investments and another amount -- an explicit amount -- will be collected from contributions. Together these revenue sources fund the system. By changing the assumption, PERSI believes it has set a reasonable expectation of net returns over the long-term and by raising contribution rates can ensure future stability.]

COLA

COLAs are based on the CPI-U for the 12-months ending in August. For 2012, the CPI-U was 1.69%.

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Rate Increase continued

Employee Category	Employee Contribution 2012	Employee Contribution 2013	Employer Contribution 2012	Employer Contribution 2013
General Members Class 1,3,4	6.23%	6.79%	10.39%	11.32%
Public Safety Officers Class 2	7.69%	8.36%	10.73%	11.66%
Firefighters Class D	7.69	8.36%	27.97%	28.9%

"I am committed to restoring our retirees to 100% purchasing power over time," noted Retirement Board Chairman Jody Olson. "Given the economy and PERSI's 1.6% return last fiscal year, the Board felt a discretionary COLA could not be justified this year. Revisiting this next year when the economy and funding improves is more prudent." The 1% increase goes into effect March 1, 2013.

SCHOOL DISTRICTS: PAYROLL REPORTING CHANGES IN IRIS

Currently a number of school districts report multiple "as earned" payroll schedules to PERSI within a single payroll file. This means they report once a month for all employees regardless of earning cycles. Often contract employees are paid for a full calendar month (1st -31st) and hourly employees are paid from the middle of one month to the middle of the next month (e.g., 10/15 - 11/15). Some employers have been erroneously reporting these two distinct payroll schedules in one file, which distorts and confuses the time period used to calculate months of service. With IRIS, this must be reported correctly.

Understanding the Change

In the new IRIS system, the salaried employees on contracts and the hourly paid employees ***cannot*** be reported in a combined file. They will need to be reported on separate files for each distinct earning cycle, which means many school districts will need to send two or more files each month.

Payroll Programmer Notification

The various software vendors working with PERSI on the IRIS transition have been notified about this change. PERSI also wanted to share the information with school districts that don't use an outside payroll software vendor, but use a system developed by their IT department instead, so the necessary program changes can be made directly by their in-house resources.

PETRA Reporters

If you are a PETRA reporter (PERSI Transmittal Reporting Application) and have multiple earning cycles, but are currently reporting them in one combined report, please contact the Employer Service Center (ESC) 1-866-887-9525 or 287-9525 from the Boise area. The ESC financial technicians can help you set up multiple reporting schedules.

Questions about this or any of the IRIS changes should go to IRIS Project Manager Wayne Ellis at 208-287-9300 or wayne.ellis@persi.idaho.gov.

IRIS update

Idaho Retirement Information System

User testing began in October. The nine testers have already identified a few bugs which PERSI is addressing.

Because IRIS will be implemented in phases, lifecycle testing is a means of ensuring the payroll data coming from employers is accurately recorded in both the new system and the old system. This process will continue until the complete data conversion component is fully implemented and the old system is officially retired. The project remains on schedule.