



NEWS TO USE

A newsletter for PERSI employers

May 2012

- New Salary Definition
- CEM Report: How PERSI Compares to Its Peers
- IRIS Update



LAWMAKERS CHANGED PERSI SALARY DEFINITION - affects employer reporting starting July 1st -

The PERSI definition of salary was amended during the 2012 legislative session. HB418 takes effect July 1, 2012. This change may impact employer reporting to PERSI.

Idaho Code 59-1302(31), defines “salary” for PERSI purposes to mean all income reported by the employer for income tax purposes. Before HB418, employers included any taxable payments relating to travel, mileage, meals, lodging or subsistence expenses in the salary they reported to PERSI. Since salary is used to calculate PERSI retirement benefits, members having such amounts included in their salary would receive a higher benefit if payments occurred during the high consecutive 42 months of service used for benefit calculation.

HB418 added a new subsection to **exclude from salary** “employer payments to employees for or related to travel, mileage, meals, lodging or subsistence expenses, without regard to the taxability of such payments for federal income tax purposes and without regard to the form of payment, including payment

made as reimbursement of an itemized expense voucher and payment made of an unvouchered expense allowance.”

It is the responsibility of the employer to determine whether any individual expense or benefit is considered a travel, mileage, meals, lodging or subsistence expense. This is why PERSI recommends employers work with their legal and accounting staff to determine how those expenses are handled internally. PERSI does not have the ability to make a determination for each individual situation.

Employers are required to report salary to PERSI according to the relevant laws; therefore, employers should modify their PERSI reporting to comply with HB418 for pay periods beginning on or after July 1, 2012.

Employers with questions about salary reporting should contact the Employer Service Center at 1-866-887-9525 or 208-287-9525 from the Treasure Valley area.

WHAT GETS MEASURED GETS MANAGED & GETS DONE

PERSI believes in the philosophy that what gets measured gets managed, and what gets managed gets done. That’s why for the past 8+ years PERSI has participated in the CEM Benchmarking analysis that measures PERSI’s performance against other pension systems. Typically, the CEM report compares systems of similar size (peer-to-peer); but the most recent report also compares PERSI to larger systems across North America. It’s worth noting that PERSI performed well in both comparisons.

TOTAL PENSION ADMINISTRATION COSTS

PERSI’s total cost for administering the system came in at \$54 per active and annuitant. This is \$49 lower than the peer average of \$103 and \$63

below the North American average of \$117. Our total cost dropped by 1.1% between 2008-2011, demonstrating that PERSI is able to do more with less; our peer group costs did not change during this time.

HIGH PRODUCTION & LOWER COSTS

PERSI performed 32% more transactions per front-office FTE (full-time equivalent worker) than the peer group average; and the cost per FTE was \$30.46 per member less than the peer average. This also means PERSI did more with less. In addition, PERSI had 14% lower third-party costs associated with member services than peers. Back-office services

(those not directly related to member services, such as IT, Fiscal, Legal), were \$10.68 per member less than the peer average.

Specific areas where PERSI excelled:

- Written estimates 28% more than peers
- Call Center 10% more than peers
- Website 13% higher than peers
- Member Statements 12% higher than peers
- Disaster Recovery 13% higher than peers
- Pension Inceptions 5% more than peers

(PERSI was 29% higher than its peers in the number of withdrawals and transfers-out (separations). This year, PERSI plans to enhance its education efforts regarding the merits of taking a separation benefit.)

TOTAL SERVICE SCORE

Based on faster turnaround times, more availability and choices, and higher quality, PERSI scored 81 out of a possible 100 for total service. This is the same score

as in 2010. This score was above the peer median of 74 and the North American median of 76.

WEBSITE SCORE

Offering online services to members, annuitants and employers resulted in a high score for the PERSI website. PERSI scored 79 compared to the peer average score of 61 for online services.

TOTAL SERVICE SCORES

Of the 15 activities evaluated, PERSI was equal to or higher than the peer average in 12 of the activities.

PERSI operates on the philosophy that it's important to provide great service to members, retirees, and employers. The CEM report affirms that Idaho is one of the top systems nationwide in both operations and service. It's nice to be able to provide independent reports that show PERSI looks for and implements cost savings without compromising service, and excels in many areas when compared to its peers.



In April's *News To Use* newsletter, PERSI shared information about its new pension administration system (aka IRIS). The article emphasized the changes to payroll reporting that will come with the new system.

PERSI's goal is to keep employers informed throughout the life of the project. This could mean communicating monthly (or even more often) as the project moves forward. The frequency will depend on when and if there's something significant to report.

Since last month's newsletter, each employer received both mailed and emailed communiqués about payroll reporting changes focusing on eligibility and full reporting. PERSI Executive Director Don Drum is making himself available to meet with the top executives for each employer to discuss the changes.

During the past few weeks, PERSI has continued daily meetings to review steps, make assignments, and assess progress. Vendors who work with employers are being contacted by PERSI so they are aware of changes too.

PERSI'S Project Manager for IRIS is Wayne Ellis. He coordinates activities with IT Manager Larry Sweat and other key operational personnel. Three vendors are working with PERSI on IRIS: Tegrit, ICON, and Provaliant.

They were selected following an extensive RFP process and evaluation. Each has extensive experience implementing large technology systems and solutions for the pension industry.

IRIS is expected to take 3+ years from start to finish. The project is currently estimated to be 10% complete. The employer reporting phase, which is one-third of the total project, is defined by three phases: 1) Requirements; 2) Design, Testing, and Training; and 3) Implementation. The first phase is nearly complete. The overall employer reporting component is estimated to be 15% complete as of mid-April.

Questions about how the new system will affect payroll reporting should be directed to Employer Service Center Manager Debbie Buck at 208-287-9255.