PERSI

April 17, 2012

The series of communiqués I sent to state lawmakers in 2011 were so well received, I've decided to continue my communications efforts again this year. I'm beginning this series by sharing two newly-released reports. The first report comes from the National Institute on Retirement Security (NIRS). It focuses on the impact pension benefits have on our economy. The second report comes from Fitch Ratings. This report is an analysis of state debt and public pension systems. Both reports provide insights you will find interesting and reassuring for Idaho.

NIRS released its *2012 Pensionomics Report* in late-March. Like its 2009 predecessor, this report provides useful data on the positive impact PERSI benefits have on the state's economy. I've attached a copy of the current Idaho Fact Sheet for you. In a nutshell, the report shows how benefits paid to PERSI retirees ripple through the Idaho economy as spending by one becomes income to another (i.e., Direct (benefit payments used to make purchases), indirect (purchases by businesses of goods and services to meet demand), and induced (hiring of employees as a result of increased business) impacts resulted in a total annual economic output to the state of $715.5 million dollars. Annual tax revenues generated by pension payments to Idaho residents totaled $105.1 million, with $56 million of that staying in Idaho. The full Pensionomics report is available on the NIRS website at http://www.nirsonline.org/index.php. It's satisfying to realize just how much pension benefits stimulate our economy.

The Fitch Report also reported on Idaho's favorable status. Fitch assigns credit ratings to states based on a long-term liability metric that measures each state's net tax-supported debt combined with the unfunded actuarial accrued liability (UAAL) of its pension system against the state's wealth base (expressed as personal income). Idaho ranked third lowest among all states for the "Fitch-Adjusted UAAL as a Percent of Personal Income." (A 7% investment return assumption was used in all cases). In this measurement, Idaho rated a low 0.9% -- the median was 3.7% and the high was 18.8%. This is another satisfying measure of both Idaho's and PERSI's stability. Also of note, like the Pew Center on the States, Fitch believes pension systems funded at 80% or higher are well-funded. As you know, PERSI has long been in this category.

Idaho state government has a long history of responsible financial management. The PERSI Retirement Board has also demonstrated a history of conservative decision-making. In recent years, both state government and PERSI have faced formidable financial challenges requiring difficult decisions. But by maintaining modest benefits, using a shared contribution approach, and applying a sound investment policy, together we have been able to maintain a stable, reliable and sustainable pension system for Idaho public employees without overburdening taxpayers. Thanks to sensible practices, Idaho has not found it necessary to make radical modifications to PERSI as other systems have done in recent years.

This summer I will once again be traveling the state to meet with legislators, employers, members and constituency groups. If you would like to meet with me, please contact Cheri Campbell at 208-287-0237.

Best regards,
Don Drum
Executive Director
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