

Meeting of the PERSI Retirement Board April 22, 2025 | 8:30 A.M. - 11:45 A.M. PERSI Office - 607 N. 8th St. Boise, ID 83701

AGENDA

Tuesday, April 2	2			Duration
8:30 AM		Call to Order Welcome	Jeff Cilek	
	I.	Approval of Minutes	Jeff Cilek	
		A. Draft of March 18, 2025 Minutes *		5
		B. Disclosure of Conflict*		5
8:40 AM	II.	Investments Portfolio	Richelle Sugiyama	
		A. Monthly Portfolio Update-PERSI, Callan	nelle Sugiyama, Chris Brechbuhler, Ann O'Bradovich	10
		B. Real Estate Program Overview	Richelle Sugiyama, Chris Brechbuhler	5
		C. Real Estate Program Review - Callan	Jonathan Gould	10
		D. Real Estate-AEW	Michael Byrne, Adam Schwank	20
		E. ID Commercial Mortgage Program (CMP) Overview	Richelle Sugiyama, Chris Brechbuhler	5
		F. ID CMP Review - Callan	Jonathan Gould	10
		G. ID CMP-DBF	Brandon Fitzpatrick, Casey Macomb	20
10:00 AM		Break		10
10:10 AM	III.	Operations Administration	Mike Hampton	
		A. Operations/Administration Update - information only	Mike Hampton, Alex Simpson	0
		B. Nossaman - Assumption setting	Ashley Dunning, Michelle Mellon-Werch	20
		C. Milliman - Demographic Assumption setting*	Robert Schmidt, Ryan Cook	10
		D. Milliman - Experience Study -Economic Assumptions*	Robert Schmidt, Ryan Cook	55
11:35 AM	IV.	Fiscal Budget (information only)	Mike Anderson	
		A. Fiscal Update/Travel & Expense Reports		0
11:35 AM	V.	Board	Jeff Cilek	
		A. Trustee Call for Future Agenda Items *		5
		B. Board Memo(s)		0
11:40 AM	**	Executive Session - Idaho Code § 74-206 (1)(a)(b)(f)*	Jeff Cilek	20
12:00 PM		Adjournment		

Zoom Link

https://us02web.zoom.us/webinar/register/WN_rAfO1QCuQ-ylgxuCsHumxw



VIA EMAIL: ddeangeli@adlawgroup.com

April 22, 2025

Governor Brad Little

Retirement Board
Jeff Cilek, Chairman
Park Price
Darin DeAngeli
Lori Wolff
Joshua Whitworth

Executive Director Michael L. Hampton

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Darin DeAngeli, Trustee, Public Employee Retirement System of Idaho Ahrens DeAngeli Law Group 420 W. Main Street, Suite 305 P.O. Box 9500 Boise ID 83707

Re: Request for Waiver of Conflict of Interest - Estate of H. James White

Dear Mr. DeAngeli,

You have identified a potential conflict of interest arising from your representation of the estate of H. James White ("Jim White Estate") relating to real property loans involving the Public Employee Retirement System of Idaho ("PERSI").

The PERSI Retirement Board ("Board") does not take any action with respect to individual mortgage issues. Rather, the Board has delegated to DB Fitzpatrick the responsibility to act as PERSI's investment manager on real estate transactions in Idaho. PERSI is also legally represented in these transactions by Hawley Troxell. As a result, the Board hereby waives any conflict of interest that may arise by virtue of you or your firm's representation of the Jim White Estate. We acknowledge that the Jim White Estate will be represented by its borrower's counsel and not you or your firm with respect to such loans.

We understand that you may be required to recuse yourself from any matter before the Board concerning the Jim White Estate. We are aware that you have notified and discussed with the Jim White Estate your role as a member of the Board.

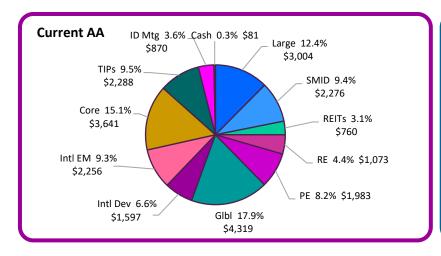
Sincerely,

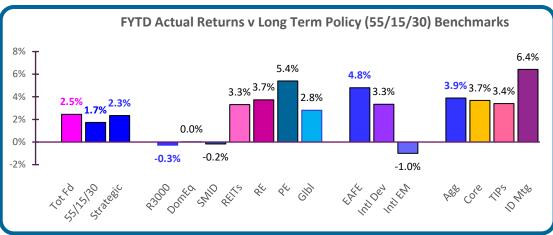
Jeff Cilek Chairman

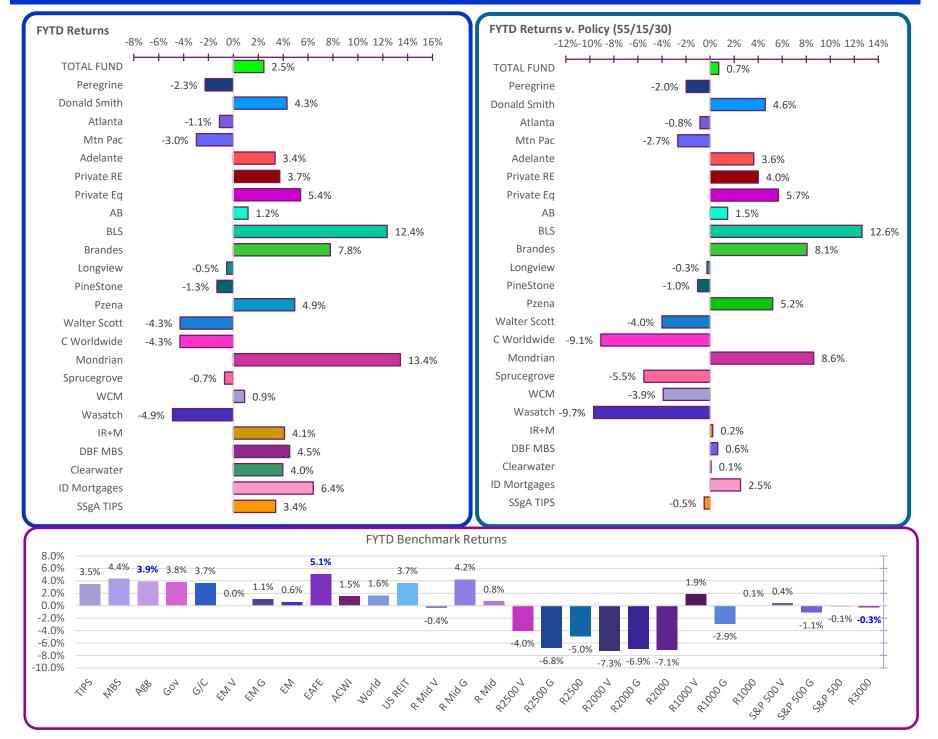
Current Market Value (MV)		24,145,948,713
Previous Day MV	41,152,524	24,104,796,189
Last FY-end MV	278,400,424	23,867,548,290

Long-Term Actuarial Investment Return Assumption
NET of inv (0.50%) and admin (0.05%) expense: 6.3%

MT	D Return	FYT	D Return	5-ye	ar Return	10-ye	ar Return
Total Fund	-2.1%	Total Fund	2.5%	Total Fund	8.7%	Total Fund	6.9%
55-15-30	-2.5%	55-15-30	1.7%	55-15-30	10.0%	55-15-30	7.3%
Strategic Policy	-2.2%	Strategic Policy	2.3%	Strategic Policy	8.6%	Strategic Policy	6.6%
U.S. Equity	-2.5%	U.S. Equity	1.6%	U.S. Equity	13.1%	U.S. Equity	10.5%
R3000	-4.0%	R3000	-0.3%	R3000	15.5%	R3000	11.1%
Global Equity	-3.4%	Global Equity	2.8%	Global Equity	13.9%	Global Equity	9.0%
MSCI ACWI	-2.8%	MSCI ACWI	1.2%	MSCI ACWI	13.3%	MSCI ACWI	8.2%
Int'l Equity	-1.5%	Int'l Equity	1.0%	Int'l Equity	8.4%	Int'l Equity	3.6%
MSCI EAFE	-0.5%	MSCI EAFE	4.8%	MSCI EAFE	11.2%	MSCI EAFE	5.0%
Fixed Income	-1.2%	Fixed Income	3.9%	Fixed Income	0.0%	Fixed Income	2.0%
Aggregate	-0.9%	Aggregate	3.9%	Aggregate	-0.9%	Aggregate	1.3%







Memo



Date: April 16, 2025

To: PERSI Board

From: Richelle A. Sugiyama, Chief Investment Officer

Chris Brechbuhler, Deputy Chief Investment Officer

Re: Annual Real Estate Review

Attached are the materials for the annual review of our real estate program, which provides a thorough review of the organizations, objectives, process and performance of the respective portfolios.

The Annual Real Estate Review includes the following presentations:

- 1. Callan "2025 Annual Real Estate Review", presented by Jonny Gould: A review of our private real estate (AEW), core fund (PRISA), and REIT (Adelante) portfolios. On page 22, Callan summarizes the merits and strength of the program, noting that AEW "remains a stable organization", is "well-positioned", and "exceeding the objectives of the program". Included in the review is an overview of our exposure to our core fund (PRISA) and Adelante, our only active REIT manager.
- 2. AEW "Annual Board Review":

AEW, represented by Michael Byrne (CIO, Head of Private Equity & Debt) and Adam Schwank (Senior Portfolio Manager), assumed management of the private real estate portfolio in 2013.

3. Callan "D.B. Fitzpatrick and the Idaho Commercial Mortgage Program Review", presented by Jonny Gould:

Review of the Idaho Commercial Mortgage Program (CMP) managed by D.B. Fitzpatrick and Co. (DBF). Callan remains supportive of the CMP and DBF, concluding on page 16 that the DBF "organization remains stable and heavily focused on the CMP", "The CMP has a robust risk framework, which D.B. Fitzpatrick has managed effectively", and that the "CMP is well-diversified and has provided competitive relative performance".

4. DBF "Idaho Mortgage Program Review":

DBF, represented by Brandon Fitzpatrick (CEO)and Casey Macomb (CMP Manager), has managed this program since 1988.

Please contact us if you have any questions or concerns.

April 22, 2025

Public Employee Retirement System of Idaho (PERSI)

2025 Annual Real Estate Review

Jonny Gould, CAIA Senior Vice President

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

PERSI Real Estate Portfolio Review

- Real Estate Market Overview
- PERSI Real Estate Portfolio
- AEW Separate Account Review
 - Account Overview & Objectives
 - · Performance Review
 - Conclusions and Recommendations
- Review of Other PERSI Real Estate Managers
 - PGIM PRISA
 - Adelante



Market Overview

U.S. Private Real Estate Performance: 4Q24

Sector appreciation turns positive, outside of office

Valuations reflect higher interest rates

- Valuations appear to have bottomed and now reflect the higher rate environment.
- Income returns were positive across sectors and regions.
- Property sectors were mixed; Office and Hotel experienced negative appreciation, and the remaining sectors had flat or positive appreciation.
- Return dispersion by manager within the ODCE Index was due to the composition of underlying portfolios.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
NCREIF ODCE	1.0%	-2.3%	-3.1%	2.0%	4.9%
Income	0.8%	3.3%	2.8%	2.9%	3.2%
Appreciation	0.1%	-5.4%	-5.9%	-0.9%	1.7%
NCREIF Property Index	0.9%	0.4%	-0.8%	3.1%	5.7%
Income	1.2%	4.8%	4.3%	4.3%	4.5%
Appreciation	-0.3%	-4.2%	-5.0%	-1.1%	1.1%

Returns are geometrically linked

NCREIF Property Index Quarterly Returns by Region and Property Type



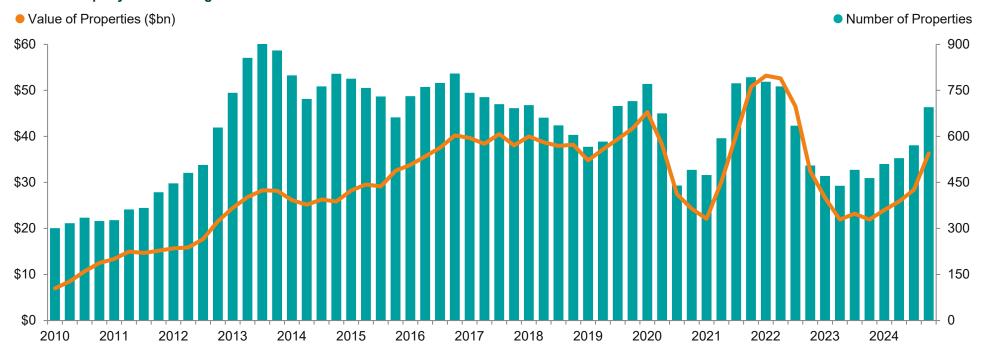
Source: NCREIF; ODCE return is net



U.S. Private Real Estate Market Trends

Pricing and transaction volumes are increasing after bottoming

NCREIF Property Index Rolling 4-Quarter Transaction Totals



- Transaction volume is increasing on a rolling four-quarter basis yet remains below five-year averages.
- In 4Q24, transaction volume increased on a quarter-over-quarter basis. Transaction volume remains lower compared to 2022.
- The volatile rise in interest rates was the driving force behind the slowdown in transactions. Recent increases in transaction volumes are driven by increasing confidence in multifamily and industrial values. Valuations have largely adjusted to increased borrowing costs.

Source: NCREIF

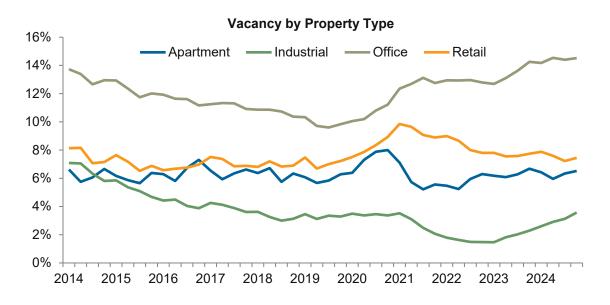


U.S. Private Real Estate Market Trends

Vacancy rates and NOI growth are softening

Rising vacancy and lower NOI growth results

- Vacancy rates increased slightly across all sectors.
- Vacancy rates are above long-term averages for Apartments, Industrial and Office, but below long-term averages for Retail.
- Net operating income growth was negative in office for the third quarter in a row. In Apartment, Industrial and Retail, net operating income growth decreased but remained positive.
- Overall, fundamentals remain relatively strong in Apartments, Industrial, Grocery-Anchored Retail and most alternative sectors.
 Apartments and Industrial are dealing with the impacts of new supply, but new construction is limited due to elevated costs.



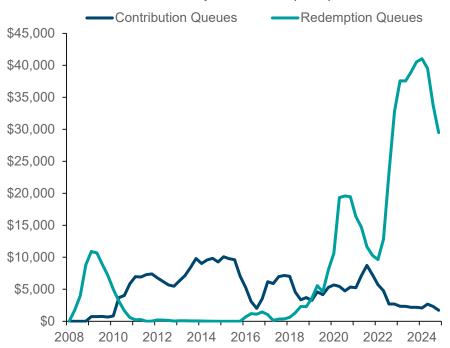
NCREIF Property Index Rolling 4-Quarter NOI Growth by Property **Type** 30% Apartment Industrial 20% 10% 0% -10% -20% -30% -40% 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 2018 2019 2021 2024



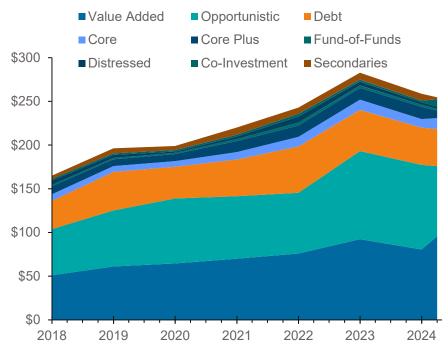
U.S. Private Real Estate Market Trends

Over \$250 billion of dry powder

Core Fund Contribution/Redemption Queues (\$mm)^



Dry Powder for CRE Investment in North America (\$bn)

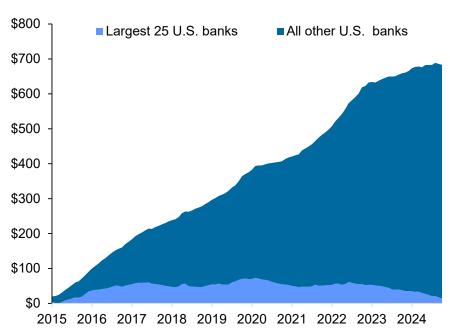


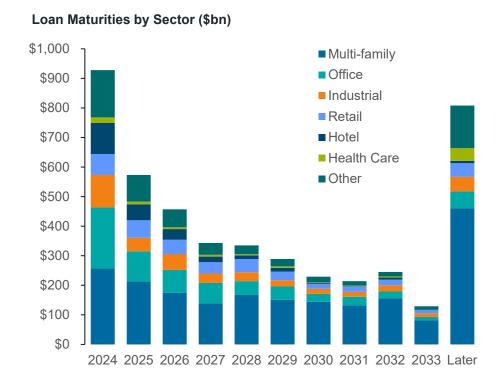
- Outstanding redemption requests for ODCE funds vary widely by fund, ranging from 0% to 51%.
- ODCE redemption queues are approximately 13.0% of Net Asset Value ("NAV"), with a median queue of 10.2%. Redemption queues are sharply decreasing after having peaked at 19.3% of NAV in 1Q 2024. For historical context, redemption queues in the post-GFC period peaked at approximately 15% of NAV.
- Outstanding redemption requests for most large ODCE funds are approximately 6% to 33% of NAV (one outlier at 51%).
- The decline in redemption queues has been driven by a combination of larger redemption payments and rescissions of redemption requests from a handful of funds with large exit queues, which in certain cases stemmed from loyalty fee programs being instituted.



Real Estate Capital Markets

Cumulative Increase in Bank Commercial Real Estate Loan Book (excluding Mutual Funds) \$bn





- Smaller and regional banks represent a large and growing share of commercial real estate lending. Additional sources of lending are needed, and debt investment opportunities appear increasingly attractive.
- A sizeable pool of loans maturing in 2024 and 2025, particularly office loans, will put further pressure on lending markets.

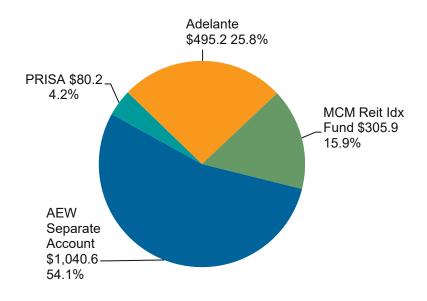


PERSI Real Estate Portfolio Overview

Real Estate Portfolio Summary

Portfolio well-balanced between public and private real estate

	NAV (\$million)	% of Real Estate Portfolio	% of Total PERSI Portfolio	Target	Relative Weight
Private Real Estate	\$1,120.9	58.3%	4.6%	4.0%	+0.6%
AEW Separate Account	\$1,040.6	54.1%	4.2%		
PGIM PRISA	\$80.2	4.2%	0.3%		
Public Real Estate (REITS)	\$801.1	41.7%	3.3%	4.0%	-0.7%
Adelante	\$495.2	25.8%	2.0%		
MCM REIT Index Fund	\$305.9	15.9%	1.2%		
Total Real Estate	\$1,921.9	100%	7.8%	8.0%	-0.2%
Total Portfolio	\$24,556.7				





AEW Separate Account

AEW Separate Account Overview

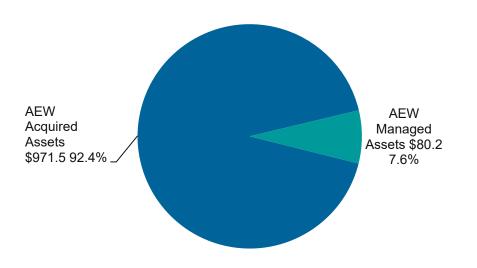
Periods Ending December 31, 2024

- PERSI's private real estate portfolio is anchored around a separately managed account with AEW, which accounts for 93% of the private real estate portfolio and 54% of PERSI's overall real estate exposure.
- The role of the AEW separate account is to provide competitive returns and to be a diversifier in the overall PERSI portfolio. It is not necessarily designed to replicate the diversification of the overall market or the benchmark, though a sufficient level of diversification has been achieved.
- The Account was significantly transformed during the early years of AEW's involvement but has been stable for the past few years.
 - Prior to 2013, the SMA was comprised of multiple ventures with smaller real estate operating companies.
 - Following AEW's take over of the Account,
 AEW's initial role was to manage the existing assets and over time transition the portfolio into larger, institutional-quality assets.
 - While a few legacy assets remain, the portfolio largely reflects acquisitions made by AEW from 2013 to present.

AEW Separate Account

	PERSI	NCREIF ODCE
Gross Asset Value	\$2,170.6	
Net Asset Value	\$1,040.6	
PERSI Net Invested Equity	\$507.5	
PERSI Net Investment Value	\$1,029.9	
# of Properties	36	
Square Feet	7,939,783	
Units	1,831	
Leverage Ratio	49%	26.8%
Portfolio Occupancy	92%	90.8%

Figures are in \$millions



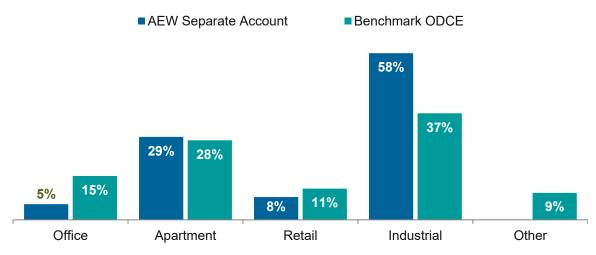


AEW Separate Account Portfolio Diversification

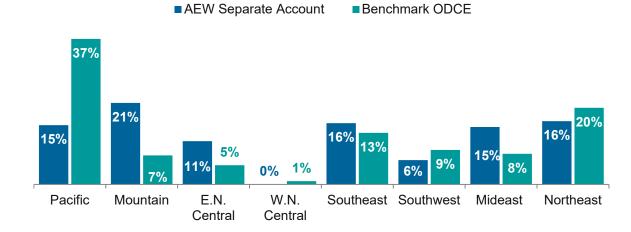
As of December 31, 2024

- The portfolio has a sizeable allocation to industrial at 58%, which exceeds the benchmark by more than 20%. Office remains well below the benchmark at just 5% of the portfolio compared to 15% for the ODCE, though writedowns have contributed to the underweight.
- The portfolio is well-diversified by geographic region. Relative to the ODCE benchmark, there are underweights to the Pacific and Northeast regions and overweights to the Mountain, Southeast and Mideast regions.
- There were no exposures to "Other" property types at the end of the year; however, AEW acquired the portfolio's first student housing asset subsequent to year-end.

Property Type Diversification



Geographic Diversification





AEW Objectives and Performance

1. Maintain A Strong and Stable Organization

AEW has experienced modest turnover in recent years, including the Portfolio Manager role for the PERSI SMA.

- Portfolio Manager changes

- Michael Byrne was the original portfolio manager for the Account, and a significant portion of the Account's transformation occurred during his tenure as PM.
- As Mr. Byrne was elevated in the AEW organization, Bob Norberg, who had served as Assistant PM on the Account, assumed lead
 PM duties during the first half of 2021, with Patrick McLaughlin joining the Account as Assistant PM.
- Mr. McLaughlin later assumed the responsibility of lead portfolio manager for the Account in early 2023 and served as the lead PM on the Account until the end of 2024, when he departed the Firm for another opportunity.
- Upon Mr. McLaughlin's departure, Adam Schwank was named portfolio manager for the Account. Mr. Schwank has been with AEW since 2011 in various investment roles, notably as a lead PM for another SMA and AEW's cold storage business.

- Additional Turnover

- AEW's overall headcount has been notably decreasing for the past two years; however, a substantial portion of that has been due to outsourcing of certain property-level functions, as well as a slowdown in hiring in the current environment.
- AEW has experienced moderate turnover in its Investor Relations group, including two senior-level departures
- The Account's Controller changed twice in a matter of two years: Walter Bastis, who served as the Controller for the Account since AEW's take over, departed the firm in 2022. Mr. Bastis was replaced by Patricia Flynn, who was later replaced in April 2023 by Jessica Ruiz, who remains with the Account today.
- AEW's broader organization continues to function as expected.
 - AEW maintains multiple business lines that provide diversification of revenue sources.
 - The Firm's investment process has remained consistent.
 - The Firm has opened a new office in Denver to expand its U.S. footprint.



2. Achieve Business Plan Objectives

- The Account's focus and objectives have shifted as the portfolio has matured into an institutional-quality separate account.
- Callan continuously evaluates AEW's ability to:
 - 1) Manage existing assets to optimize operational performance, including leasing, financing and capital expenditures; and
 - 2) Pruning the portfolio of non-strategic assets and reinvesting proceeds into new acquisitions that are accretive to performance and/or enhance the diversification of the portfolio.



2. Achieve Business Plan Objectives (continued)

- Operationally, the portfolio had mixed results during 2024 but overall was in-line with budget.
- While total occupancy remained slightly below budget at 92% vs a budget of 94%, the Account still generated Net Operating Income
 ("NOI") of \$115.6 million during the year, exceeding its NOI budget by +2.3%.
- The Account's office portfolio continues to be a drag on operational performance, as occupancy ended the year at 68%, well below its 74% budget.
- The Account's industrial portfolio, which is the largest component of the portfolio, generated the most NOI at \$48.4 million, though it was the only sector below its NOI budget for the year (-1.6%).
- NOI for multifamily, the second largest component of the portfolio, was robust at \$32.8 million, which exceeded its budget by +4.1%.

Occupancy vs. Budget by Property Type

2024 Budget 2024 Actual **Variance** Multifamily 95% 96% +1% -1% Industrial 97% 96% Office 74% 68% -7% 100% 98% -2% Retail 92% -2% **Total** 94%

NOI vs. Budget by Property Type (\$million)

	2024 Budget	2024 Actual	Variance
Multifamily	\$31.5	\$32.8	+4.1%
Industrial	\$49.1	\$48.4	-1.6%
Office	\$22.7	\$24.4	+7.5%
Retail	\$9.7	\$10.8	+3.5%
Total	\$113.1	\$115.6	+2.3%



2. Achieve Business Plan Objectives (continued)

 Transaction activity has slowed as the portfolio has matured, but AEW continues to actively manage the portfolio's positioning, with a focus toward acquiring assets in sectors with attractive fundamentals and positive tailwinds.

Acquisitions

- Notably, the Account made its first investment in an "Alternative" property type in 2024 by acquiring a two-asset student housing portfolio.
 - >AEW acquired the asset on behalf of PERSI in September 2024.
 - The 391 units across the two properties were nearly fully occupied as of year-end 2024, with additional strong leasing momentum achieved for the 2025-2026 academic year.
- Subsequent to year-end, the Account entered into a programmatic joint venture to acquire a portfolio of retail assets on the East coast, totaling ~\$28.1 million of invested equity.

Dispositions

During 2024, AEW sold two multifamily assets, which were older-vintage, capital intensive and/or subject to rent control
regulations.

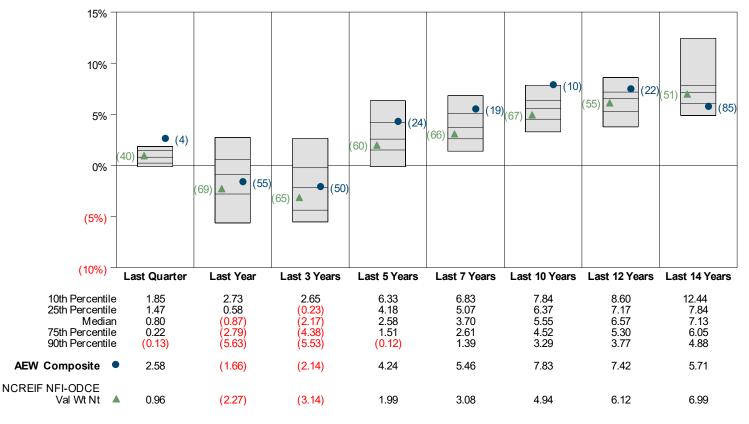


AEW Account Performance

3. Provide Competitive Returns

- While absolute performance has been poor over the past three years due to a challenged real estate market, the Account
 outperformed the benchmark over the past year by 61 basis points and continues to outperform the benchmark over mediumand long-term time periods, including 289 basis points of outperformance over the past 10 years.
- The Account's heavy industrial and multifamily focus has been a major driver of outperformance relative to the ODCE. The Account utilizes higher leverage relative to the benchmark, which may cause greater short-term volatility, though over time it has been accretive to performance.

Performance vs Callan OE Core Cmngld RE



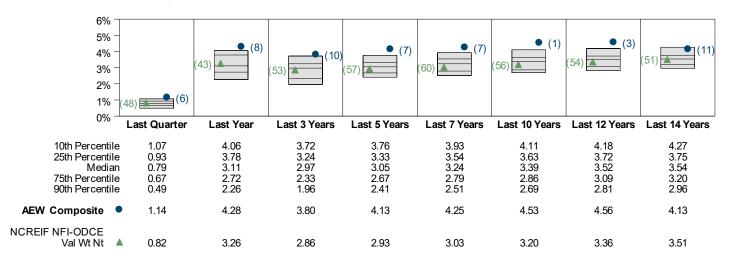
^{*} Quartile rankings are relative to net returns from Callan's open-end real estate peer group, which includes open-end core, core plus, value add and real estate debt funds.



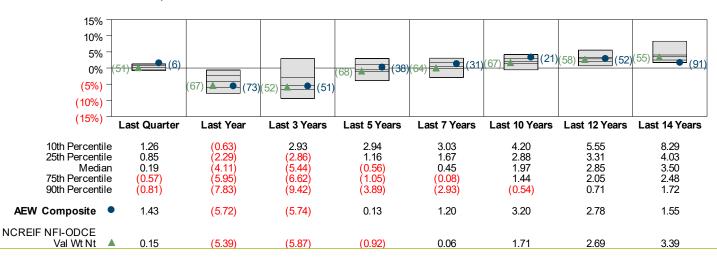
AEW Account Performance

Appreciation has been volatile in recent periods, though income return has remained steady.

Income Rankings vs Callan OE Core Cmngld RE Periods ended December 31, 2024



Appreciation Rankings vs Callan OE Core Cmngld RE Periods ended December 31, 2024





Conclusions and Recommendations

AEW Account Observation – Merits & Strengths

AEW Remains A Stable Organization

- AEW remains a stable and well-resourced organization. While the PERSI account has experienced portfolio manager changes in the past few years, AEW maintains a deep bench of capable personnel. Adam Schwank, who has been assigned as lead PM for the Account, is a seasoned portfolio manager with a long tenure at AEW.
- ➤ While the Firm's head count has decreased in recent years, the departures have largely been reflective of a rapid slowdown in hiring, as well as the outsourcing of certain property-level functions. Notable departures have been limited to Investor Relations professionals and natural turnover at the low- and mid-levels, while no senior investment professional departures have occurred.

The PERSI Account Is Well-Positioned

- The portfolio remains overweight to industrial and multifamily, with minimal exposure to retail and an underweight to office. The portfolio is also well-balanced between prime coastal markets and emerging secondary markets in the sunbelt.
- The Account's leverage profile remains modest, though the portfolio's LTV has ticked up from 42% at year-end 2023 to 49% at year-end 2024. The leverage increase is consistent with the broader industry due to declining property values.
- The Account has diversified into student housing, which continues to benefit from strong fundamentals.

AEW is Exceeding the Objectives of the Program

- ➤ Despite a challenged real estate market, the AEW portfolio has outperformed the benchmark over all time periods, reflecting strong sector, market and asset selection from AEW, as well as effective asset management.
- ➤While appreciation returns have been negative in recent periods, performance has been held up by a strong income profile in recent time periods. Over longer time periods, the return remains well-balanced between income and appreciation, and the Account is outperforming the benchmark in each category.
- >AEW continues to actively transact, pruning the portfolio of non-strategic assets and re-investing proceeds into higher quality assets that are accretive to the portfolio.



AEW Account Observations – Risks and Considerations

Office Portfolio Remains Challenged

- Consistent with the broader market, the portfolio's office assets have been impaired.
- Further operational and value deterioration is expected due to severe lack of leasing momentum. Refinancing and liquidity risks remain.

Shifting Debt Profile

- ➤ The portfolio's leverage has ticked up from 42% at year-end 2023 to 49% at year-end 2024, largely due to declining property values of the portfolio's office assets.
- ➤ The Account has a wall of maturities coming due in 2026, with nine loans totaling \$371 million of debt maturing during the year. However, none of the maturing loans are in the office sector, and all but two of the loans currently carry LTVs below 50%.
- The weighted-average cost of debt has also increased, as maturing loans are refinanced at higher interest rates. This is expected to continue, as more loans are refinanced in 2026.

Portfolio Manager Turnover

The Account's portfolio manager has turned over multiple times in the past five years. However, AEW has a deep bench of talented investment professionals and has assigned a tenured and well-regarded portfolio manager to the Account.



PERSI Real Estate Portfolio

Core Fund and REITs Overview

PGIM PRISA Overview

PRISA – Open-end Diversified Core Real Estate Commingled Fund

- PRISA's role in the PERSI Real Estate portfolio is to provide a reference point to the broader core real estate universe, as well as an incomeoriented return and diversification across core markets and the primary property types. PERSI has been an investor in the fund since 1974.
- PRISA is one of the largest funds in the NCREIF Open-end Diversified Core Equity ("ODCE") peer group, and the fund is well diversified by market and sector.
- PRISA has a conservative leverage position at 25.1% (up from 24.1% at YE 2023 and 20.5% at YE 2022), and the fund includes modest exposure to alternative property types such as Life Science / Lab Space, Storage, Senior Housing & Manufactured Housing.
- PGIM Real Estate organization remains stable and well-resourced.

PRISA Portfolio Snapshot

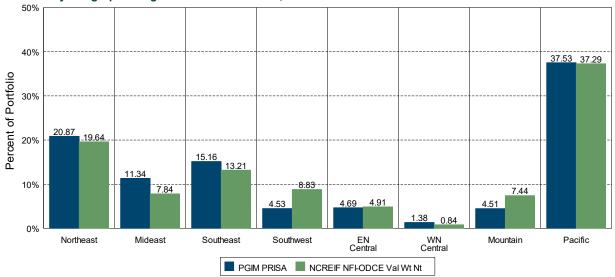
	PRISA	NCREIF ODCE
Fund Gross Asset Value	\$29.2 billion	
Fund Net Asset Value	\$22.7 billion	
# of Properties	283	
Leverage Ratio	25.1%	26.8%
Portfolio Occupancy	91%	90.8%
PERSI NAV	\$80.2 million	



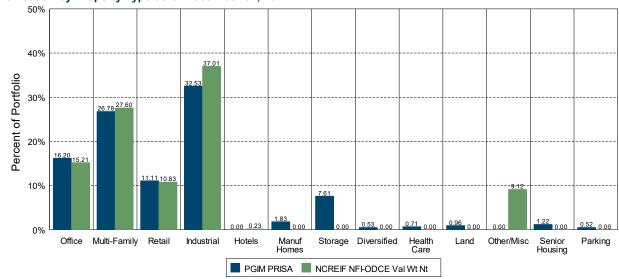
PGIM PRISA Overview

PRISA – Open-end Diversified Core Real Estate Commingled Fund





Diversification by Property Type as of December 31, 2024



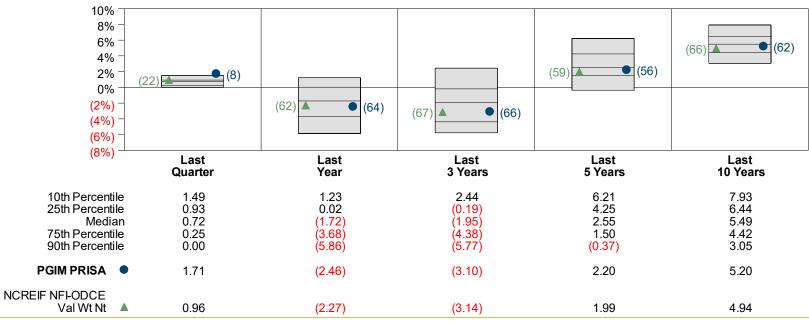


PGIM PRISA Overview

PRISA – Performance, as of December 31, 2024

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Net Income Return	0.83%	3.60%	3.07%	3.04%	3.35%
Appreciation Return	0.88%	(5.90%)	(6.04%)	(0.83%)	1.81%
Total Gross Return	1.94%	(1.44%)	(2.07%)	3.25%	6.22%
Total Net Return	1.71%	(2.46%)	(3.10%)	2.20%	5.20%
NCREIF ODCE Value Wtd Net	0.96%	(2.27%)	(3.14%)	1.99%	4.94%
Excess Return (Net:Net)	+0.75%	(0.19%)	+0.04%	+0.21%	+0.26%

Performance vs Callan OE Core Cmngld RE





Adelante Overview

Adelante – Active REIT Manager

- Adelante is an actively-traded REIT (public real estate securities) portfolio with the objective to generate returns above the benchmark and passive REIT strategies. PERSI has been an investor with Adelante since 1998.
- Adelante's investor/capital base remains very concentrated.
 - As of March 31, 2025, PERSI accounts for 33.0% of Adelante's AUM.
- Adelante's gross performance has exceeded the benchmark over longer-term time periods, as shown below, though underperformance has occurred over more recent time periods.

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Since Inception
Adelante (Gross)	0.16%	8.70%	(0.79%)	11.10%	8.03%	6.61%	10.49%
Adelante (Net)	0.16%	8.33%	(1.19%)	10.65%	7.58%	6.08%	9.70%
Wilshire REIT Index	1.01%	10.23%	(0.84%)	11.15%	7.25%	5.33%	9.24%
Excess Return	(0.85%)	(1.90%)	(0.35%)	(0.50%)	0.33%	0.75%	0.46%



Definitions

Capitalization rate: Commonly known as cap rate, is a rate that helps in evaluating a real estate investment. Cap rate = Net operating income / Current market value (Sales price) of the asset.

Net operating income: Commonly known as NOI, is the annual income generated by an income-producing property after taking into account all income collected from operations, and deducting all expenses incurred from operations.

NCREIF ODCE Index: time-weighted return Index with an inception date of 12/31/1977. The Index is comprised of 36 open-end commingled funds. Inclusion within the Index requires (a) minimum of 80% of net fund assets invested in the multifamily, retail, industrial, office, or hotel property type, (b) maximum of 20% of net fund assets invested in real estate debt or private/public company equity, (c) at least 80% of net assets invested in properties with a minimum occupancy of 60%, (d) no more than 70% of real estate net assets invested in a single property type or region, (e) maximum of 40% leverage, and (f) at least 95% of net real estate assets invested within the U.S. market. In this report, the version of the NCREIF ODCE Index being used is the value weighted and net of fees.

NCREIF Property Index: time-weighted return Index with an inception date of 12/31/1977. The Index is comprised of over 10,000 individual properties. Inclusion within the Index requires (a) operating properties only, (b) property types apartments, hotels, industrial, office, and retail, (c) owned/controlled by a qualified tax-exempt institutional investor or its designated agent. The Index is reported on a non-leveraged basis even if the property is leveraged.



Definitions – Investment Styles

Core: Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).

Value-Added: Core returning investments that take on moderate additional risk from one or more of the following sources: leasing, re-development, exposure to non-traditional property types, the use of leverage.

Opportunistic: Investments that take on additional risk in order to achieve a higher return. Typical sources of risks are: development, land investing, operating company investing, international exposure, high leverage, distressed properties.

Non Core: Includes both value added and opportunistic strategies

Closed-End Fund: A commingled fund with a stated maturity (termination) date with few or no additional investors after the initial formation of the fund. Closed-end funds typically purchase a portfolio of properties to hold for the duration of the fund and, as sales occur, typically do not invest the sales proceeds. (Source: NCREIF PREA Reporting Standards).

Commingled Funds: A term applied to all open-end and closed-end pooled investment vehicles designed for institutional tax-exempt investors. A commingled fund may be organized as a group trust, a partnership, a corporation, an insurance company separate account, or another multiple ownership entity.

Open-End Fund: A commingled fund with no finite life that allows continuous entry and exit of investors, typically on a quarterly basis, and engages in ongoing property operations as well as investment purchase and sale activities.

Real Estate Investment Trust (REIT): A corporation or business trust that combines the capital of many investors to acquire or provide financing for all forms of income-producing real estate. (Source: National Association of Real Estate Investment Trusts)



Definitions – Performance Monitoring

Vintage Year: Year of first drawdown

Paid-In Capital: Cash funded to the investment for acquisition and capital items (i.e., initial investment cost or significant capital improvements).

Uncalled Capital: Capital allocated to managers which remains to be called for investment. Amounts are as reported by managers.

Distributed Capital: Actual cash returned from the investment, representing distributions of income from operations. Withdrawals: Cash returned from the investment, representing returns of capital or net sales proceeds.

Net Asset Value: The value of an investment as determined by actual sales dollars invested and withdrawn plus the effects of appreciation and reinvestment; market value is equal to the ending cumulative balance of the cash flow statement (NAV).

Net IRR: IRR after advisory fees, incentive and promote. This includes actual cash flows and a reversion representing the LP Net Assets at market value as of the period end reporting date.

TVPI Multiple: The ratio of Total Value to Paid-in-Capital (TVPIC). It represents the Total Return of the investment to the original investment not taking into consideration the time invested. Total Value is computed by adding the Residual Value and Distributions. It is calculated net of all investment advisory and incentive fees and promote.

DPI Multiple: The ratio of distributions paid to the investor divided by the amount of contributions paid by the investor. It is calculated net of all investment advisory and incentive fees and promote. It is calculated net of all investment advisory and incentive fees and promote

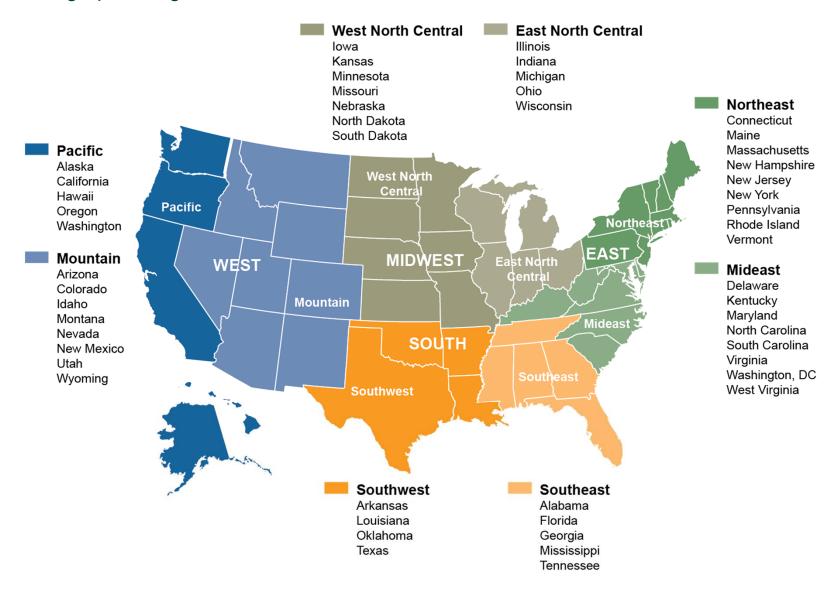
RVPI Multiple: The ratio of net asset value divided by the amount of contributions paid by the investor.

Net IRR: The total net return for an investment or portfolio over the period of time the client has funds invested. Total portfolio Inception Returns include returns from investments no longer held in the current portfolio.



NCREIF Region Map

Geographic Regions and Divisions



Source: NCREIF



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Past performance is no guarantee of future results.



About Callan

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional investor with creative, customized investment solutions backed by proprietary research, exclusive data, and ongoing education. Today, Callan provides advisory services to institutional investor clients with more than \$3 trillion in total assets, which makes it among the largest independently owned investment consulting firms in the U.S. Callan uses a client-focused consulting model to serve pension and defined contribution plan sponsors, endowments, foundations, independent investment advisers, investment managers, and other asset owners. Callan has six offices throughout the U.S. For more information, please visit www.callan.com.

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		New Jersey	
	www.callan.com	Portland	





Agenda

- I. AEW OVERVIEW
- II. REAL ESTATE MARKET UPDATE
- III. ACCOUNT/PORTFOLIO OVERVIEW
- IV. 2024 YEAR IN REVIEW
- V. 2025 KEY PORTFOLIO GOALS
- VI. ASSET SPOTLIGHTS

SECTION I

AEW Overview

Our Global Reach

AEW Is One of the Largest Real Estate Investment Managers¹



\$38.1bn €36.8BN \$39.1bn AUM €37.7BN **EUROPE** \$4.8bn AUM 510+ employees €4.6BN 11 offices NORTH AMERICA AUM 300+ employees Paris **ASIA PACIFIC** 3 offices London 50+ employees Amsterdam 5 offices Boston Düsseldorf Los Angeles Frankfurt Hong Kong Denver Luxemboura Seoul Madrid Singapore Milan Munich Sydney Tokyo Prague Warsaw

Source: "2024 IREI.O Real Estate Managers Guide". The Guide, published annually by Institutional Real Estate, Inc., ranks real estate managers based on the gross value of real estate AUM (Sm) as of December 31, 2023.

As of December 31, 2024. AEW includes (i) AEW Capital Management, L.P. and its subsidiaries and (ii) affiliated company AEW Europe and its subsidiaries. AEW Europe and AEW Capital Management, L.P. are commonly owned by Natixis Investment Managers and operate independently from each other. Total AEW AUM of \$82.0 billion includes \$37.2 billion in assets managed by AEW Europe and its affiliates, \$4.6 billion in regulatory assets under management of AEW Capital Management, L.P., and \$40.1 billion in assets for which AEW Capital Management, L.P. and its affiliates provide (i) investment management services to a fund or other vehicle that is not primarily investing in securities (e.g., real estate), (ii) non-discretionary investment advisory services (e.g., model portfolios) or (iii) fund management services that do not include providing investment advice.

The figures provided are subject to minor variations due to rounding. Exact figures are available upon request.

AEW NORTH AMERICAN PORTFOLIO

Extensive Experience Across All Property Types and Regions

\$36.1 Billion¹

of property investments in major metropolitan cities across all primary property types in North America

CORE

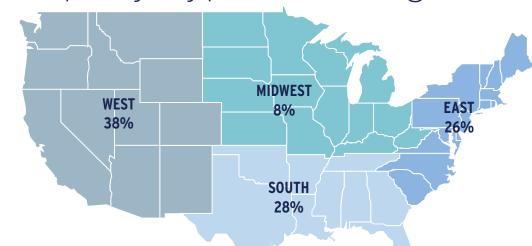
VALUE-ADD

OPPORTUNISTIC

\$19.8 Billion

\$13.2 Billion

\$3.1 Billion



INDUSTRIAL



74.7 MM SQ FT

\$12.9 Billion

RESIDENTIAL



21,546 UNITS

\$7.5 Billion

RETAIL



10.7 MM SQ FT

\$3.8 Billion

OFFICE



14.7 MM SQ <u>FT</u>

\$5.4 Billion

SENIORS HOUSING



8,732 UNITS

\$3.5 Billion

PERSI / AEW Team



MICHAEL BYRNE Chief Investment Officer Head of Private Equity & Debt





LAUREN O'NEIL Chief Operating Officer 125+ Additional Professionals



SARA CASSIDY Head of Portfolio Management



JOSH HELLER Head of Eastern U.S. Acquisitions 20+ Additional Professionals



TOM MULLAHEY Head of Western U.S. Acquisitions 10+ Additional Professionals



ADAM SCHWANK Senior Portfolio Manager



RYAN BUZZELL Vice President Acquisitions & Portfolio Management



JESSICA RUIZ Portfolio Controller



ZACH ANTONIO Assistant Controller

ADDITIONAL PERSI RESOURCES

RESEARCH



MIKE ACTON 8 Professionals

INSURANCE RISK MANAGEMENT



ROSS MARKOWITZ

5 Professionals

LEGAL



CARRIE BELLERBY



NEAL SHARMA

10+ Professionals

INVESTOR RELATIONS



JAY STRUZZIERY, CFA®

10+ Professionals

ASSET RESILIENCE & DEVELOPMENT



MATT CHRISTY 4 Professionals

SECTION II

Real Estate Market Update

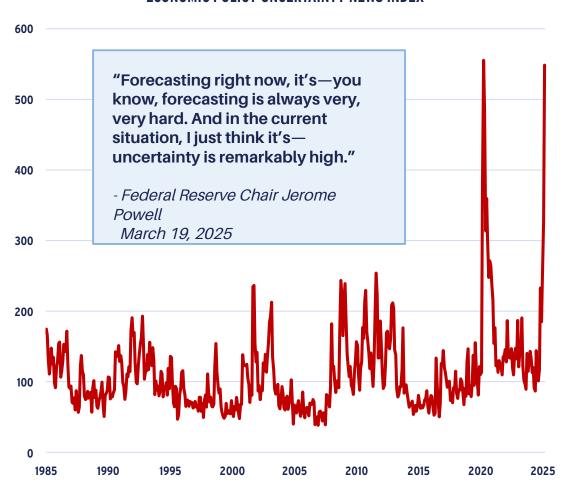


Key Themes

- ✓ Heightened near-term policy uncertainty and rising recession risk
- ✓ Fed on pause slower growth but higher inflation?
- ✓ Positive CRE total return for first time in two years
- ✓ Peak CRE loan maturities colliding with cycle trough in values
- ✓ Next valuation cycle driven by NOI growth, not cap rate compression
- ✓ Best CRE entry point metrics in many years

May You Live in Interesting Times

ECONOMIC POLICY UNCERTAINTY NEWS INDEX



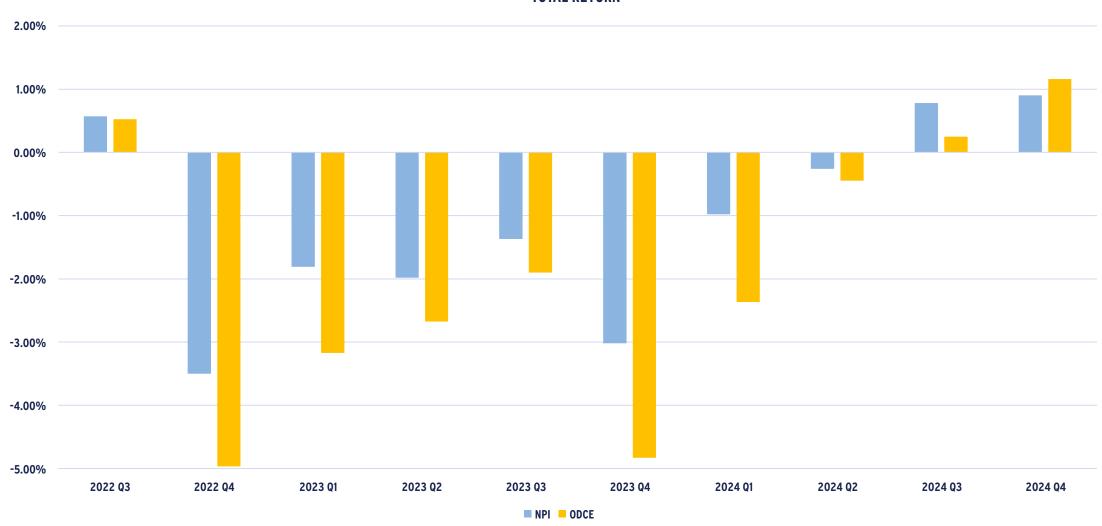
SHARE OF CONSUMERS EXPECTING HIGHER UNEMPLOYMENT OVER THE NEXT YEAR



, 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025

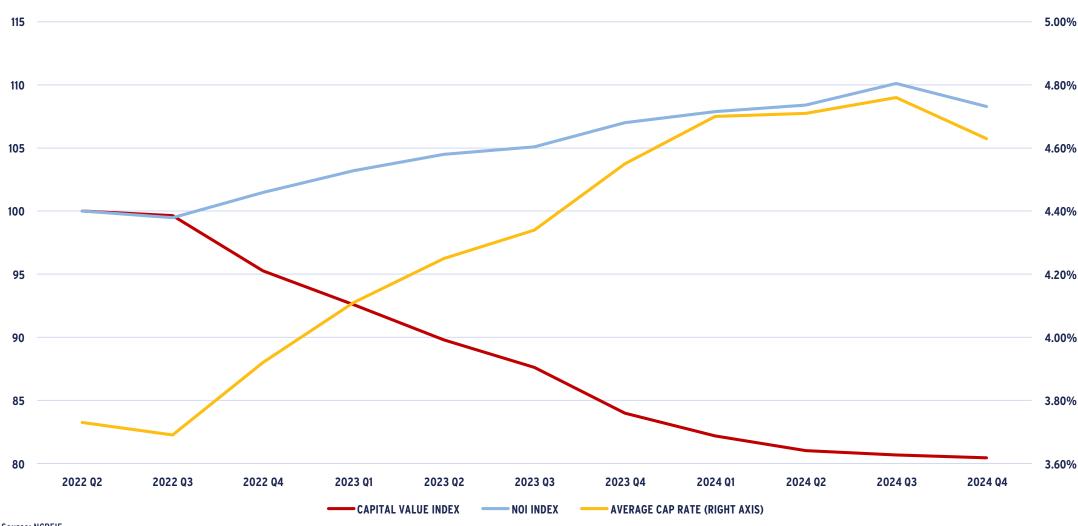
Beginning of Next Cycle?

TOTAL RETURN



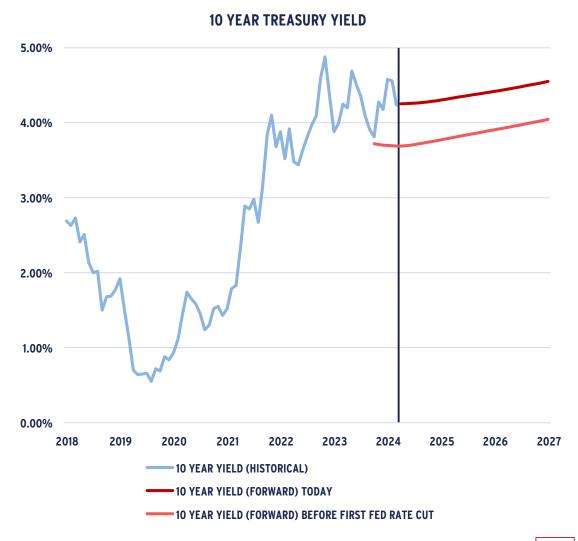
Eight Quarters of Value Decline with Growing NOI

NPI CAPITAL VALUE AND NOI INDICES AND AVERAGE CAP RATE



Fed Cuts and Long Yields Rise?

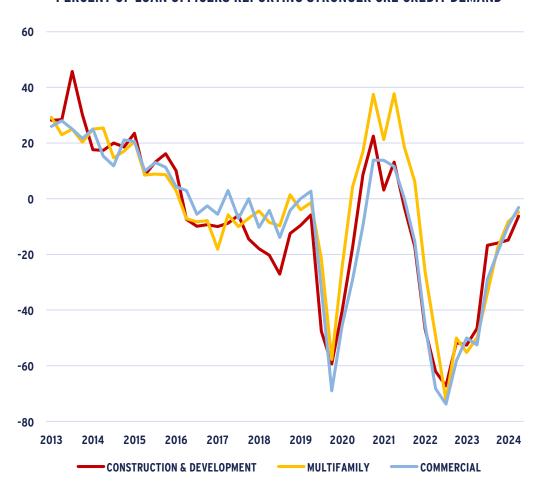




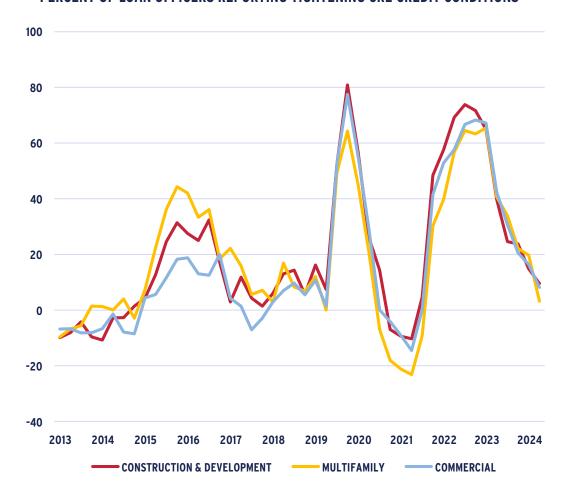
Source: Federal Reserve, Chatham Financial

Credit Conditions Easing?

PERCENT OF LOAN OFFICERS REPORTING STRONGER CRE CREDIT DEMAND



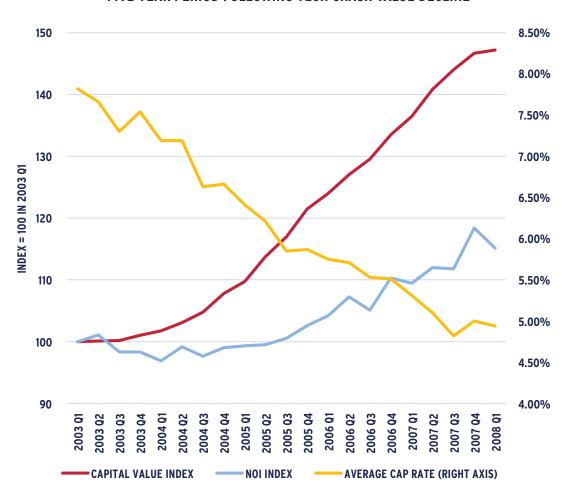
PERCENT OF LOAN OFFICERS REPORTING TIGHTENING CRE CREDIT CONDITIONS



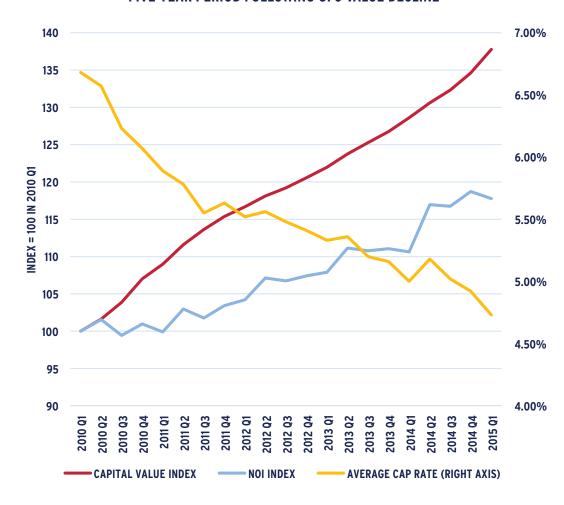
Sources: Federal Reserve

Next Cycle Unlikely to Look Like This

FIVE-YEAR PERIOD FOLLOWING TECH CRASH VALUE DECLINE

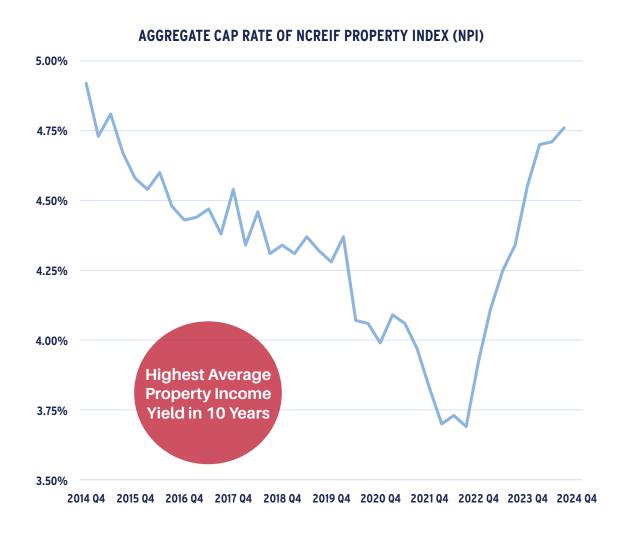


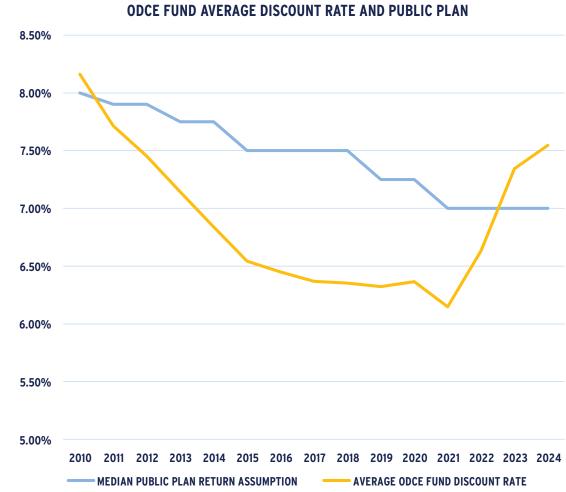
FIVE-YEAR PERIOD FOLLOWING GFC VALUE DECLINE



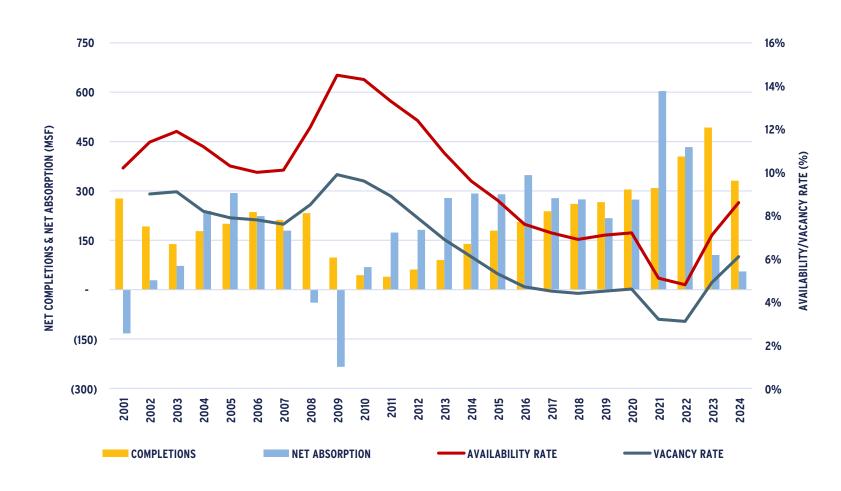
Source: NCREIF

Most Attractive CRE Entry Point in Years?





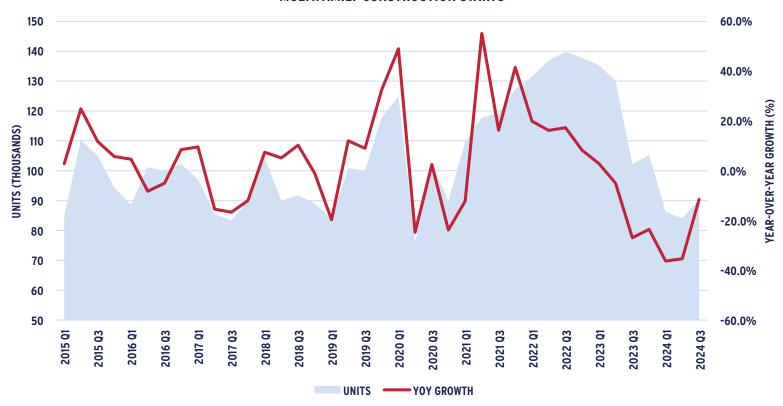
Industrial Market



- Construction activity has peaked, and new deliveries are moderating quickly;
- ✓ Industrial availability rates have increased over the last two years given elevated supply, but remain in line with long-term averages;
- Amazon, the largest industrial tenant nationally, has reaccelerated building out its distribution network a positive indicator for industrial leasing fundamentals.
- ✓ Significant rent loss-to-lease across industrial portfolios creates imbedded upside.

Housing Market





- New supply is quickly moderating creating strong backdrop for rent growth;
- Despite recent apartment supply wave, the U.S. remains undersupplied in housing;
- Demand should remain strong across markets supported by continued employment and population growth;
- Demand is further supported by general lack of affordability in the for-sale market where it is cheaper to rent than own across most markets.

Retail Market

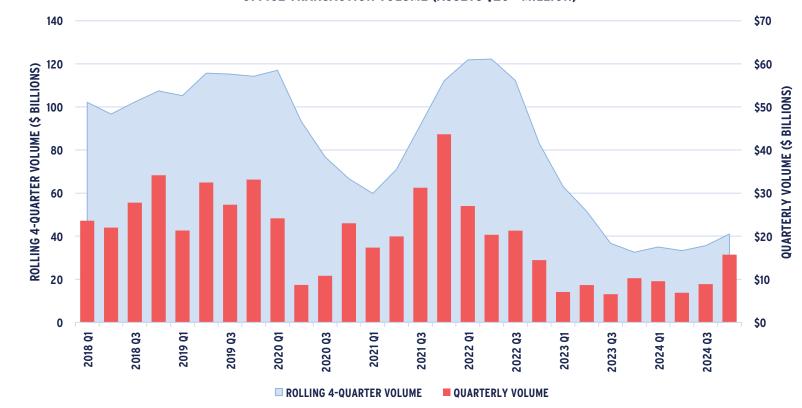




- ✓ Retail market remains exceptionally tight today;
- ✓ Strong retail fundamentals over last few years have been supported by a resilient consumer;
- Favorable long-term outlook as Millennial population (largest generational cohort today) enters prime earning/spending years;
- Necessity-based and off-priced retail is positioned for outperformance, particularly if economic shifts cut into consumers' ability to spend.

Office Market

OFFICE TRANSACTION VOLUME (ASSETS \$20+ MILLION)



- Office transactions remain muted by historic standards, but activity is picking up as sellers/lenders capitulate;
- Decline in fundamentals seems to be stabilizing with vacancies plateauing in 2024;
- Muted supply pipeline has put a cap on new empty space entering the market;
- ✓ Office fundamentals vary widely on a market-by-market basis (as well as asset quality) with a few bright spots;
- Recent focus on return-to-office (Amazon, JP Morgan, among others) shifting the tone in leasing demand a bit.

As of January 31, 2025 Source: MSCI/Real Capital Analytics

SECTION III

Account/Portfolio Overview

PERSI Account Overview

PERSI

• AEW manages PERSI's directly-invested private real estate portfolio

PERSI OBJECTIVES

• Outperform NCREIF ODCE benchmark by pursuing core, core-plus, value-added, and development investment strategies

INVESTMENT STRATEGY

• Create a diversified portfolio of institutional quality assets, located in primary and secondary markets, with a focus on total return

INVESTMENTS / PROPERTIES	22 / 35
GROSS PROPERTY VALUE	\$2.17 Billion
NET INVESTMENT VALUE	\$1.03 Billion
PORTFOLIO OCCUPANCY	92%
LOAN-TO-VALUE	49%



Portfolio Overview

\$1.7B Dispositions

140 Properties Since 2013

9.4% Gross IRR 8.1% Net IRR

PORTFOLIO REPOSITIONING

- ✓ AEW assumed management in January 2013
- ✓ The transferred portfolio of assets consisted of 138 properties across three ventures (\$569M Net Investment Value)
- ✓ All but two of the transferred assets have been sold
 - 140 properties sold / 39 new properties acquired
- ✓ Current assets under management total \$1.0B Net Investment Value across 22 investments

ASSETS UNDER MANAGEMENT



Portfolio Overview



PERFORMANCE

✓ Outperforming the ODCE benchmark over all time periods (+181 basis points inception-to-date)



PORTFOLIO ALLOCATION

- ✓ Strategic overweight to multifamily and industrial, representing 88% of the portfolio
- ✓ Diversified across geographies major metros throughout the U.S.



OPERATIONS

- ✓ 2024 net operating income in line with budget expectations
- ✓ 2024 occupancy below budget expectations primarily attributed to limited office leasing



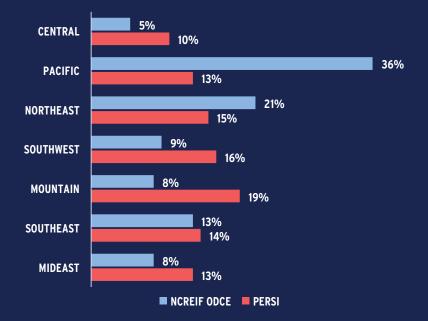
PORTFOLIO MANAGEMENT

- ✓ Sold two properties and acquired two properties in 2024, transitioning capital from inferior to high-quality assets
- ✓ Completed \$150M of financing activity in 2024, including two refinancings and one office loan modification
- ✓ Executed 90 leases in 2024 totaling 1.2 million square feet across the portfolio

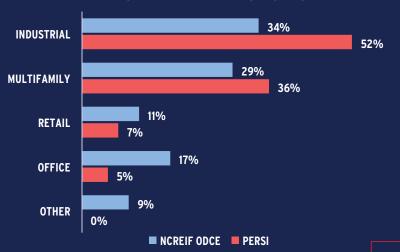
Portfolio Overview



GEOGRAPHIC DIVERSIFICATION



PROPERTY TYPE DIVERSIFICATION



Portfolio Performance

TOTAL GROSS RETURN	Q4 2024	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION ¹
INCOME	1.46%	5.61%	4.98%	5.32%	5.61%	5.59%
APPRECIATION	1.50%	-5.57%	-5.74%	0.09%	3.15%	3.24%
TOTAL GROSS	2.97%	-0.25%	-1.02%	5.42%	8.91%	8.98%
TOTAL NET	2.68%	-1.40%	-2.13%	4.24%	7.81%	7.93%
ODCE INDEX	0.96%	-2.27%	-3.14%	1.99%	4.94%	6.12%
OVER/(UNDER)	+172 BPS	+87 BPS	+101 BPS	+225 BPS	+287 BPS	+ 181 BPS

Total Annualized Return Net-of-Fees



181 BPS
OUTPERFORMANCE SINCE INCEPTION

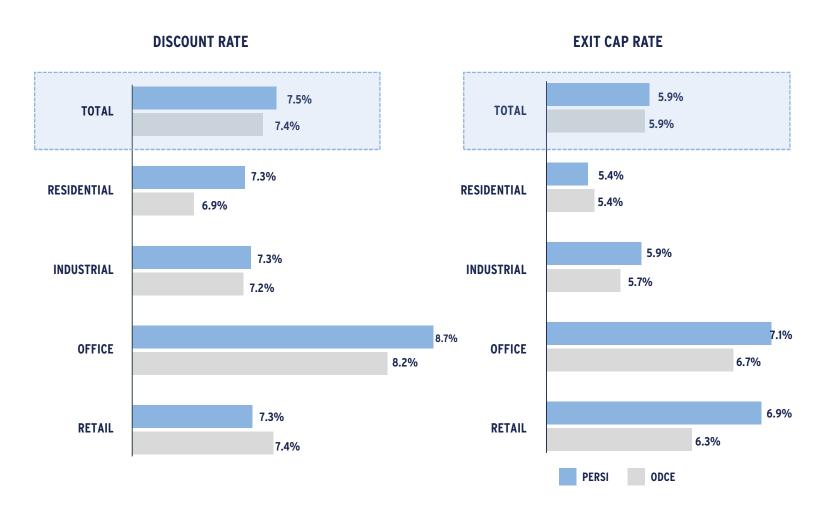
12 Years

consecutive years
income return outperformance

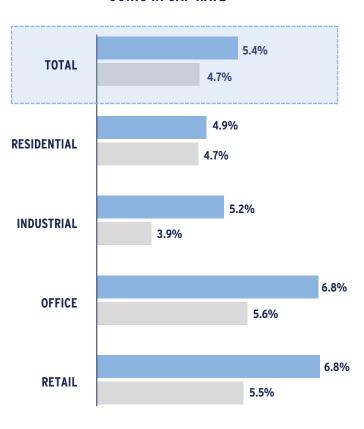


87 BPS
1-YEAR OUTPERFORMANCE

Valuation Metrics



GOING IN CAP RATE



As of December 31, 2024.

Debt Profile

49%

WEIGHTED AVG. INTEREST RATE
4.73%

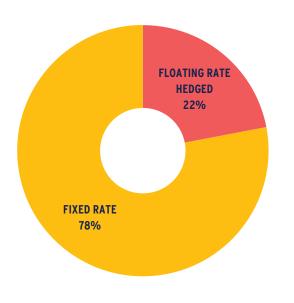
WEIGHTED AVG. MATURITY

3.3 YRS

LOAN MATURITIES (\$ MILLIONS)



FIXED/FLOATING ALLOCATION1



SECTION IV

2024 Year in Review

2024 Transactions



Acquisitions - Texas Student Housing - Arkansas Student Housing - Student Housing - Student Housing - Student Housing - 5.7% Cap Rate - Campus-adjacent - Discount to Replacement



As of December 31, 2024.

2024 Year In Review

FINANCIAL GOALS

	2024 Actual	2024 Annual Goal	RESULTS AGAINST ANNUAL GOAL
Net Operating Income	\$116.0 M	\$116.3 M	\longleftrightarrow
Net Operating Distributions	\$37.6 M	\$41.0 M	
Return of Capital Distributions ¹	\$81.7 M	\$0.0 M	1
Capital Contributions	\$104.4 M	\$21.0 M	1

OPERATIONS & ASSET MANAGEMENT

- ✓ Operations are in-line with budgeted expectations;
- Return of capital distributions exceeded budgeted expectations due to the sale of two multifamily assets in 2024;
- Capital contributions exceeded budgeted expectations, primarily related to the \$96.6M capital contribution to acquire student housing portfolio in Q3 2024.

OPERATIONAL GOALS - OCCUPANCY / LEASING

	2024 Actual	2024 Annual Goal	2023 Actual
Multifamily	96%	95%	94%
Industrial	96%	97%	97%
Office	68%	74%	76%
Retail	98%	100%	93%
Total	92%	94%	94%
Leasing	1,233,675 SF	1,184,592 SF	1,474,041 SF

LEASING

- ✓ Multifamily Increased average occupancy to 96%;
- ✓ Industrial 1.1M SF of across 74 suites; average unit size of 15K SF; 61% renewals;
- ✓ Retail 62K SF across 8 suites; average suite size 8K SF; 6 new and 2 renewals;
- ✓ Office 53K SF across 8 suites; average suite size of 6,608 SF (5 renewals, 2 new, 1 downsize)
- ✓ Overall, portfolio ended the year 92% leased, 200 bps below budget expectations primarily attributed to continued weak office leasing demand in 2024.

SECTION V

2025 Key Portfolio Goals

2025 Key Portfolio Goals

FINANCIAL GOALS

	2025 Annual Goal	2024 Actual	2024 Annual Goal
Net Operating Income	\$115.3 M	\$116.0 M	\$116.3 M
Net Operating Distributions	\$45.2 M	\$37.6 M	\$41.0 M
Return of Capital Distributions ¹	\$0.0 M	\$81.7 M	\$0.0 M
Capital Contributions	\$32.4 M	\$104.4 M	\$21.0 M

OPERATIONS & ASSET MANAGEMENT

- ✓ Maintain or increase occupancy and income levels across the portfolio;
- ✓ Capitalize on MTM opportunities across industrial portfolio (388K SF rolls in 2025);
- ✓ Monitor health of join venture partners;
- ✓ Continued focus on office and manage capital spending (capital projects, leasing).

OPERATIONAL GOALS - OCCUPANCY / LEASING

	2025 Annual Goal	2024 Actual	2024 Annual Goal
Multifamily	95%	96%	95%
Industrial	97%	96%	97%
Office	72%	68%	74%
Retail	98%	98%	100%
Total	93%	92%	94%
Leasing	791,603 SF	1,233,675 SF	1,184,592 SF

LEASING

- ✓ Multifamily Maintain strong residential occupancy (95%) across the portfolio;
- ✓ Industrial Complete 529K SF of industrial leasing across six investments;
- ✓ Retail Complete 35K SF of retail leasing across two investments;
- ✓ Office Complete 228K SF office leasing across four investments;
- ✓ Overall, business plan goal is to end the year 93% leased (100 bps higher than YE '24).

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

2025 Key Portfolio Goals



Acquisitions

- ✓ Target high-quality assets with attractive growth potential – high conviction property sectors, submarkets with favorable supply/demand dynamics, and assets with operational upside;
- Closed programmatic venture with retail operator in March 2025 with the business plan of aggregating a portfolio of grocery-anchored shopping centers in attractive eastern U.S. submarkets;
 - ✓ The venture closed with a seed asset and is under contract to acquire additional property.
- Closed venture with student housing operator and acquired two student housing assets in 2024; will continue to evaluate additional student housing opportunities in 2025 to expand portfolio.



Dispositions

- ✓ No immediate sale candidates;
- ✓ Industrial asset in Chicago, Illinois sold in Q1 2025;
- Continue to upgrade the overall quality of the portfolio by selling non-strategic assets - less desirable markets with weaker growth drivers, higher capital needs, etc.;
- Recycle capital into assets offering better future growth potential - asset quality and market.

SECTION VI

Asset Spotlights

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

Industrial Portfolio

18 \$1.0B \$541M 96%
PROPERTIES GROSS PROPERTY VALUE NET INVESTMENT VALUE OCCUPANCY



In-Fill Industrial Portfolio

CORE INDUSTRIALAcquired October 19

- ✓ 1.7M SF in-fill portfolio located in Charlotte, Phoenix, and Irving
- √ 93% occupancy



Single Tenant Portfolio

VALUE ADDED INDUSTRIAL Acquired December 20

- ✓ 1.8M SF portfolio located in PA, IL, and OR
- √ 100% occupancy



Chicago Industrial Portfolio

CORE INDUSTRIALAcquired October 16

- ✓ 1.0M SF portfolio comprised of five in-fill properties located in the Chicago MSA
- √ 91% occupancy

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO Multifamily Portfolio

10 \$718M \$367M 96%
PROPERTIES GROSS PROPERTY VALUE NET INVESTMENT VALUE OCCUPANCY



Florida Multifamily Asset

CORE MULTIFAMILY Acquired January 19

- √ 481 units in Broward County, Florida
- √ 95% occupancy



Student Housing Portfolio

STUDENT HOUSING Acquired September 24

- ✓ Two-property, 1,105-bed, campus adjacent student housing portfolio
- √ 100% occupancy



Boston Multifamily Asset

CORE MULTIFAMILY Acquired September 16

- 171 units, garden-style apartment community in the Boston MSA
- √ 95% occupancy

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

Retail Portfolio

2 \$148M PROPERTIES GROSS PROPERTY VALUE	\$73M 98% NET INVESTMENT VALUE OCCUPANCY		
Las Vegas Power Center	Boston Grocery Anchored Center		
CORE RETAIL Acquired February 18	CORE RETAIL Acquired May 17		
 ✓ 428,000 SF power center in Las Vegas, NV with strong anchor tenants ✓ 98% occupancy 	 ✓ 75,000 SF grocery-anchored shopping center in affluent Boston suburb ✓ 97% occupancy 		

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

Office Portfolio

5 \$289M \$36M 68%
PROPERTIES GROSS PROPERTY VALUE NET INVESTMENT VALUE OCCUPANCY



Boston Seaport Office Investment

CBD OFFICEAcquired March 19

- ✓ 112K SF, Class A, office building in Boston, MA with long-term credit lease
- √ 100% occupancy



Boston Suburb Office Investment

SUBURBAN OFFICE Acquired February 18

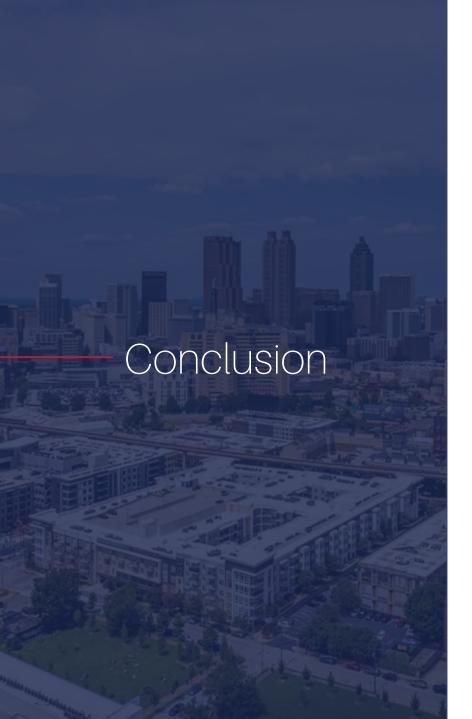
- ✓ 208K SF office building in amenity-rich location of Boston, MA suburb
- √ 60% occupancy



Seattle Office Investment

CBD OFFICEAcquired July 18

- √ 714K SF in Seattle, WA
- √ 63% occupancy



- Continued elevated political and economic uncertainty likely;
- Portfolio is strategically positioned for continued outperformance;
- Next cycle driven by NOI growth, not cap rate compression;
- We remain focused on active management, business plan execution and risk management as we navigate volatility in the market;
- ✓ Today is an attractive entry point to make tactical acquisitions to drive performance and further enhance the portfolio, and AEW will leverage its extensive network of relationships to do so.

Thank You



Callan

April 22, 2025

Public Employee Retirement System of Idaho (PERSI)

Review – D.B. Fitzpatrick and the Idaho Commercial Mortgage Program

Jonny Gould, CAIA Senior Vice President

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

Agenda

- Idaho Commercial Mortgage Program ("CMP") Review Process
- D.B. Fitzpatrick Organization ("DBF")
- Idaho CMP Program Overview
- Portfolio Review
- Conclusions & Recommendations
- Appendix



Callan

Idaho CMP Review Process

Idaho CMP Review Process

Callan conducted a review of D.B. Fitzpatrick and the Idaho Commercial Mortgage Program (CMP) in March 2025. The following is summary of Callan's review process:

- In-Person Meeting and Property Tours in Eastern Idaho:
 - Rexburg, Idaho Falls and Pocatello
- Borrower Survey of Select Participants in the CMP
 - Callan contacted 21 borrowers to evaluate the strengths and weaknesses of the program
 - Seven of the 21 borrowers responded to the survey, providing feedback on their experience in the program and with D.B.
 Fitzpatrick
- Ongoing correspondence with D.B. Fitzpatrick Staff to review:
 - Organization & Team
 - Strategy & Process
 - Portfolio
 - Performance & Risks
 - Loan Documentation
- · Collection and Review of Various Data and Documents



Callan

D.B. Fitzpatrick – Organizational Overview

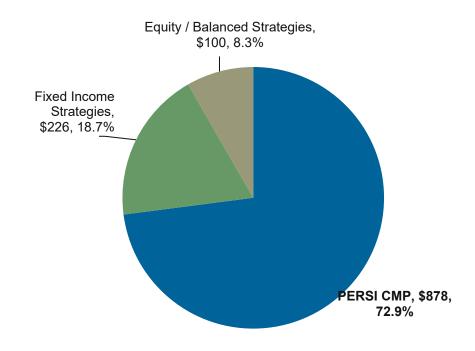
Organizational Overview – D.B. Fitzpatrick

D.B. Fitzpatrick is the Sole Manager and Administrator of the Idaho CMP

- DBF was founded by Dennis Fitzpatrick in 1984
 - Dennis Fitzpatrick retired from the Firm in 2019 and his son, Brandon Fitzpatrick, became CEO of the Firm.
 - Dennis Fitzpatrick continues to own a majority of the Firm, with Brandon Fitzpatrick owning the remainder.
- The CMP has a dedicated portfolio manager, Casey Macomb, who has been with the Firm for ten years.
 - Mr. Macomb also chairs DBF's Mortgage Investment Committee and overseas all loan monitoring and servicing.
 - Angelina Chantler serves as a key support person for the Account.
- DBF's Mortgage Investment Committee currently includes three individuals, and Brandon Fitzpatrick retains full veto rights over any loan under consideration.

Organizational Overview	
Founded	1984
# of Employees	10
Registrations	SEC: 1984
Registrations	Idaho Department of Finance: 1985
AUM at 3/31/2025	\$1,203.5 million

DBF AUM By Strategy (\$million)





Callan

Idaho CMP Program Overview

Idaho CMP Overview Separate Account Overview

Objectives & Parameters

- The Idaho CMP, which is managed and administered by Boise-based investment firm, D.B. Fitzpatrick, originates commercial real estate mortgages throughout Idaho.
- The bespoke program has a long track record dating back to its establishment in 1988.
- Its objective is to generate rates of return that exceed the Bloomberg Mortgage-Backed Securities (MBS) Index over a complete market cycle.
- Mortgages are predominately focused on multifamily, industrial, office, retail, medical office and hotels, with modest exposure to other real estate property types, including self-storage and low-income housing.
- Loans made on bare land, single family residential or mobile home parks are not permitted.
- The CMP originates permanent whole loan fixed-rate financings, which predominately carry 10-year terms.
- Bridge and construction loans are not made, and floating-rate loans are rarely pursued. Interest only loans are extended selectively, though most loans have some level of amortization.
- Returns are primarily generated from current coupon payments, as well as origination fees, rate lock fees, late fees, assumption fees, prepayment, etc.
- Loans are sourced through a network of mortgage brokers and via existing relationships. The program has a large number of repeat borrowers, often times with the same collateral property.
- Loans carry recourse and require full guarantees from the borrowers.
- The underwriting criteria is relatively static year over year.



Idaho CMP Overview

Loan Parameters

Idaho CMP Underwriting and Pricing			
Property Types	Multifamily, Industrial, Office, Retail, Medical Office & Hotels		
Maximum Loan-to-Value ("LTV") Ratio	75%		
Minimum DSCR	1.2x		
Loan Term	Typically 10 Years		
Pricing	2% over 10-year U.S. Treasuries		
Cap Rate Utilized	7.5% (6.75% for Office & Multifamily)		
Coupon Type	Almost Exclusively Fixed-Rate		
Amortization	Generally 30-Year Amortization; "Riskier" loans may have shorter amortization schedules		
	Full personal guarantees from borrower(s);		
Guarantees / Recourse	DBF may require guarantees from additional guarantors if means of primary guarantor is deemed insufficient		



Idaho CMP Overview

Underwriting and Approval Process & Procedures

• D.B. Fitzpatrick implements a thorough mortgage application process, with significant documentation requirements.

Documentation & Other Submission Requirements	
Loan Application	Lease Agreement(s) and Tenant Information
Rent Roll	Legal Description
Plans / Specs	Purchase Agreement (if applicable)
Location / Plat Maps	Credit Report
Financial Statements for Each Guarantor	Most Recent 3-years Tax Returns
Resume / Work History	Organizational Documents for Borrowing Entity
Historical Property Financials – P&L and Balance Sheet Statements	

• Additional documentation is required by DBF prior to the closing of each loan, including:

Additional Documentation Required	
Borrowing Authority	Property Condition Report
Phase I Environmental Site Assessment Report	MAI Appraisal
Insurance Coverage	ALTA Survey
Certificate of Occupancy	Zoning Letters
Title Insurance Policy	Legal Opinion from Borrower's Counsel
Estoppel Certificates and Subordination Agreements	



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Idaho CMP Portfolio Review

Idaho Commercial Mortgage Program - Portfolio Summary

Portfolio Overview as of March 31, 2025

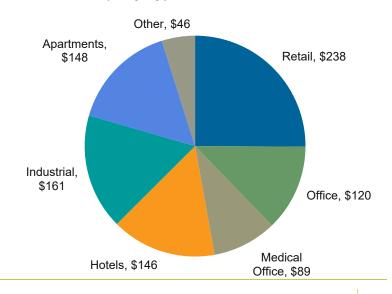
Idaho CMP Portfolio			
Number of Loans	272		
Portfolio Book Value	\$952.2 million		
Portfolio Market Value	\$877.9 million		
Fixed / Floating Rate	272 / 0		
Wtd. Average Life (Mat.)	5.52		
Average Duration	4.35		
Average Coupon	4.13%		
Average Yield	4.45%		
Cash & Other Assets			
GNMA	\$12.5 million		
FNMA	\$159.0 million		
Accrued Interest	\$551.2k		
Treasuries	\$8.9 million		
Cash	\$575.9k		
Total Cash & Other Assets	\$181.5 million		
Total Portfolio Value	\$1,059.5 million		

Borrower Concentration

Borrower	# Loans	Loan Balance (\$mm)	% of Loan Book
Borrower 1	7	\$71.5	6.3%
Borrower 2	15	\$57.8	5.1%
Borrower 3	9	\$30.0	2.7%
Borrower 4	6	\$29.2	2.6%
Borrower 5	11	\$27.9	2.5%

Regional Diversification North, \$71, 7% East, \$149, 16% Southwest, \$729, 77%

Property Type Diversification





Idaho CMP Account Performance

Competitive Returns Compared to MBS Benchmark

Idaho Commercial Mortgage Program Returns – as of March 31, 2025

	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Since Inception
Idaho CMP (Gross)	6.74%	2.38%	0.58%	3.30%	2.96%	6.21%
Idaho CMP (Net)	6.48%	2.13%	0.33%	3.04%	2.70%	5.92%
Bloomberg MBS Index	5.39%	0.55%	-0.69%	1.10%	1.11%	4.96%
Net Excess Return	1.09%	1.58%	1.02%	1.94%	1.59%	0.96%

- Relative to its benchmark, the Bloomberg Mortgage-Backed Securities Index, the Idaho CMP has exceeded its benchmark over all major time periods on a net basis going back since inception.
- DBF indicated that there have been no principal losses for any loans in the program's history, including REOs.
 - The CMP has experienced minimal defaults and delinquencies over the life of program, and only two loans have been Real Estate Owned (i.e. lender-owned property).
 - DBF indicated that the delinquency rate never exceeded 1.84% after the 2008 Global Financial Crisis and has been effectively 0.0% since 2016.



Idaho CMP Risk Profile

CMP Loans at Risk as of March 31, 2025

Risk Category	# of Loans	Book Value	% of Portfolio	Location(s)	Property Type(s)
DSCR < 1.05x	1	\$1.7 million	0.18%	Boise	Retail
Vacancy > 15%	19	\$71.5 million	7.51%	Boise (10); Meridian (3); Eagle; Garden City; Lewiston; Nampa; Pocatello; Ponderay	Retail (8); Office (6); Industrial (3); Medical Office; Apartment
LTV > 80%	6	\$11.8 million	1.24%	Boise (4); Rexburg; Caldwell	Apartment (2); Retail (2); Office; Industrial
Balloon Payment w/in 6 Months	9	\$24.8 million	2.60%	Boise (3); Payette (2); Buhl; Coeur D'Alene; Jerome; Rexburg	Apartment (5); Industrial (2); Hotel (2)
Loans meeting one or more risk criteria.	32*	\$104.6 million*			

^{*} Excludes Duplicates

- No loans are currently delinquent or in REO.
- The watch list loans are spread across multiple sectors Apartments (8 loans, \$10.9 million); Retail (8 loans, \$23. 3 million); Office (7 loans, \$30.3 million); Industrial (6 loans, \$20.4 million); Hotel (2 loans, \$18.4 million); and Medical Office (1 loan, \$5.7 million).
- Of the 27 loans, only one loan meets multiple risk criteria, which meets all four risk criteria. No other loans meet more than one criterion.



Callan

Conclusions and Recommendations

Conclusions and Recommendations

Strengths and Merits

- The D.B. Fitzpatrick organization remains stable and heavily focused on the CMP
 - PERSI accounts for a substantial majority of DBF's assets under management and revenue stream which should continue to motivate DBF to manage the program appropriately.
 - The Idaho CMP has a dedicated portfolio manager, and a significant portion of DBF's resources are dedicated to PERSI and the account.
- The CMP has a robust risk framework, which D.B. Fitzpatrick has managed effectively.
 - There are no REO loans, nor are any loans currently delinquent.
 - A small percentage of loans in the account are currently being monitored based on established risk factors.
 - The CMP's underwriting standards have held up over multiple market cycles.
 - Further, the personal guarantee feature backing the loans has proven to be an effective risk mitigant and motivational tool to protect the CMP's principal.
- The CMP is well-diversified and has provided competitive relative performance
 - The portfolio contains 272 loans, with no loan comprising more than 3.5% of the loan book.
 - The loan portfolio is well-diversified by property type and, to a lesser extent, geographic region within Idaho, though there is notable diversification across the greater Boise market.
 - While absolute performance has been muted, the Account has performed well relative to the Bloomberg Mortgage-Backed Securities Index over all time periods. Absolute performance is expected to improve as newer loans progress (reversion) and as proceeds from maturing loans continue to be invested in higher-yielding new loans given the higher rate environment.



Conclusions and Recommendations

Risks and Considerations

- The CMP investment program requires specialized expertise to execute and manage. Callan is currently unaware of any other
 organizations that would be capable of taking over the program should D.B. Fitzpatrick be unable to manage the CMP. The
 portfolio's second servicer, Principal, could theoretically absorb the servicing responsibilities of the portfolio, but new loan activity,
 workouts and other functions would be challenged should DBF be unable to manage the CMP.
- PERSI accounts for a substantial majority of DBF's assets under management and revenue stream.
- While loans are made on stabilized, cash-flow positive commercial real estate, the loans are ultimately secured by personal guarantees of the borrowers, which can be difficult to underwrite and enforce. Further, given the local nature of the lending program, headline risks may arise in a foreclosure situation or should guarantees need to be enforced.
- Given the Firm's expertise and resources, DBF may not be able to manage assets in certain property types (i.e. assisted living) in the event of an REO or foreclosure situation. However, the Firm has an extensive network of partners that it can engage in this scenario.
- The Account is heavily concentrated in the Southwest portion of the state, particularly in the greater Boise area. Further, the
 Account's loans in the north (Coeur d'Alene and Lewiston) are concentrated with just a few borrowers.

Recommendation

- Callan recommends PERSI continue the Idaho Commercial Mortgage Program with D.B. Fitzpatrick.
 - While the CMP's risk framework is strong and well-tested, Callan recommends that debt yield and weighted-average lease term ("WALT") at underlying properties are incorporated into risk evaluation and ongoing loan monitoring.



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		New Jersey	
	www.callan.com	Portland	





Idaho Mortgage Program Review

Public Employee Retirement System of Idaho

April

2025



DBF

Brandon Fitzpatrick, CFA – CEO

- BA Brown University
- MA UC San Diego
- MA University of Miami

Muharem Ahmetovic – Operations Manager

- BS American InterContinental University

Alex Baker – Analyst

- BA University of Washington

Kai Lau – Analyst

- BA University of Hong Kong
- MA University of Birmingham

Kristopher Craig – Analyst

- BS University of Southern California

Casey Macomb – Commercial Mortgage Portfolio Manager

- BA College of Idaho

Angelina Chantler – Commercial Mortgage Operations

- AS Art Institute of Pittsburgh

Cheryl Smith – Office Manager / CISO

- AA National Paralegal College

Oksana Vitruk - Operations Assistant

- AA American River College

Tom Walker - CCO

- BA George Fox University
- JD Willamette University College of Law

- DBF assets under management*: \$1.39b

- Idaho Mortgage Program: \$1.06b
- Idaho Mortgage Program is designed solely for PERSI
- Other strategies: \$325m



Idaho Mortgage Program

- Alternative fixed income strategy
 - Yield advantage vis-à-vis investment-grade fixed income benchmarks is due to lessened liquidity, prepayment risk, and credit risk
- Life insurance companies are primary competition in lending market
- Deals are smaller in Idaho; the program fills a void in the market
 - 272 loans; average loan size of \$3.5m
- Program is a consistent lender, including when markets are stressed
- Provides stability for Idaho commercial real estate
 - Borrowers and other market participants know we won't stop lending during market downturns
- Consistent and conservative underwriting standards result in countercyclical funding numbers

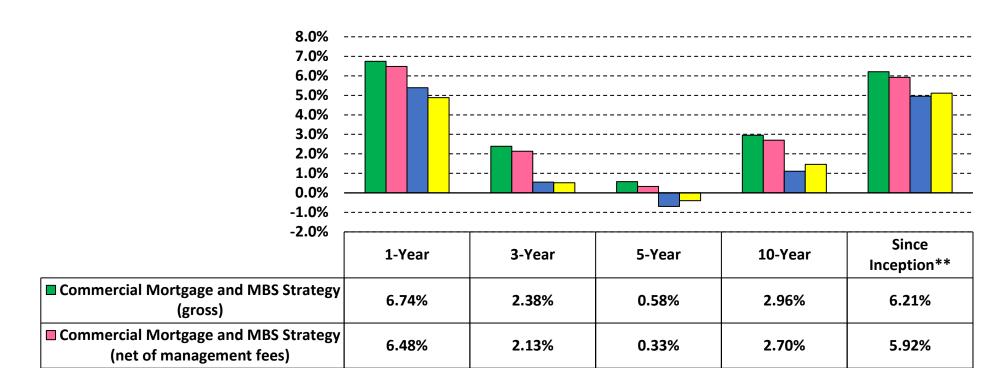


Idaho Mortgage Program

- DBF has focused resources on developing the Idaho Mortgage Program
 - We have built long-term relationships with borrowers, commercial real estate brokers, finance brokers, and other market participants
- Expertise in the local market
- Deep knowledge of the portfolio, including histories of properties and borrowers
- Guidance of the program through commercial real estate cycles and different market conditions
- DBF's accessibility to borrowers adds value to the program
 - We are easy to contact and will consider reasonable requests
 - Many borrowers tell us they put great value on this feature



DBFitzpatrick Idaho Mortgage Program Performance*



0.55%

0.52%

5.39%

4.88%

*As of March 31, 2025

■ Bloomberg U.S. MBS Index

Commercial Mortgages: \$877.9m

Agency MBS: \$181.5m

☐ Bloomberg U.S. Aggregate Index

**Inception: October 1989

- Returns for periods longer than one year are annualized

Correlation (using annual returns of last 20 years):

S&P 500: -0.17

-0.69%

-0.40%

Bloomberg U.S. Aggregate Bond Index: 0.87

The "Idaho Mortgage Program" encompasses total portfolio of commercial mortgages and agency MBS

1.11%

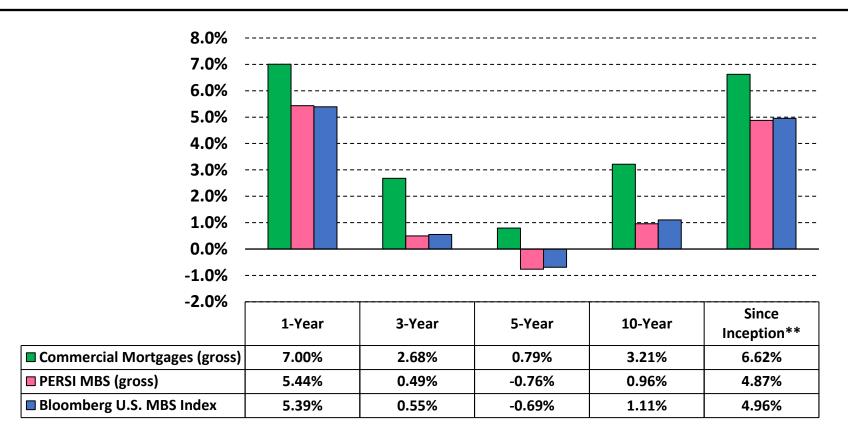
1.46%

4.96%

5.11%



Sub-Portfolio Performance*



*As of March 31, 2025

Commercial Mortgages: \$877.9m

Agency MBS: \$181.5m

**Inception: October 1989

- Returns for periods longer than one year are annualized

- Mortgage-Backed Security (MBS) portfolio is impacted by "cash drag" due to its link to commercial mortgage portfolio
 - Principal and interest payments and fee income from commercial mortgage portfolio are sent to MBS portfolio each month
 - MBS portfolio is source of commercial mortgage fundings and recipient of loan payoffs
 - These cash flows often represent a significant % of MBS portfolio



Portfolio Growth

Beginning Balance (October 1, 1989): \$151.2m

Contributions: \$162.9m

Withdrawals: (\$234.8m)

Net Investment: \$79.2m

Investment Returns: \$980.3m

Ending Balance: \$1.06b



Idaho Mortgage Program

- Commercial mortgage portfolio contains no REOs (real estate owned assets) and has
 0.0% delinquency rate
 - No significant signs of strain with any loans in the portfolio
- Lending environment remains constrained
- Higher interest rates have made it difficult for potential buyers and sellers to agree on price
- Industrial vacancy rate is up as new supply comes on-line
- Multifamily sector has softened, with rent growth stalling
- Retail has performed well
- Idaho office properties have outperformed the national market

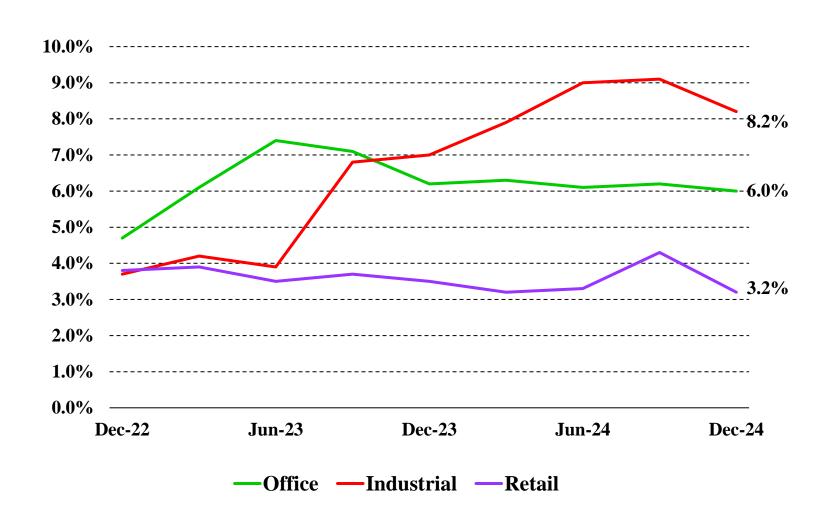


Market Outlook

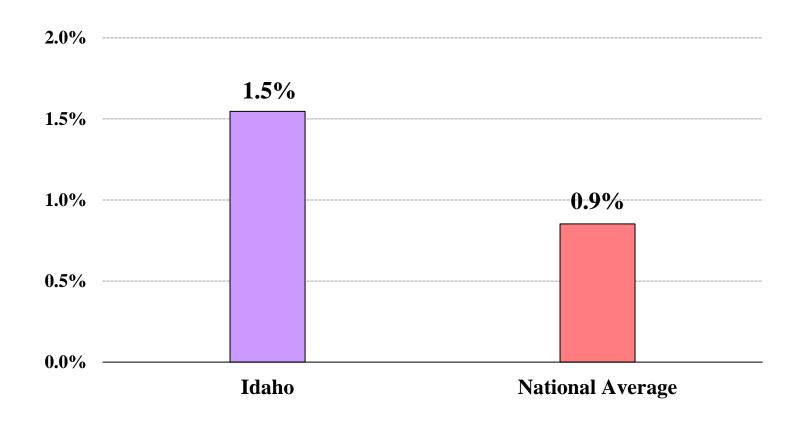
- Overall environment is in our favor
 - Investment activity is likely to eventually increase with cap rates rising as buyers and sellers
 accept new interest rate regime
 - The lending environment is unlikely to improve much in the near term
 - Many loans will mature within 1 3 years
- Borrower interest in the program is high
- We expect loan production figures to rise
 - Our lending standards (cap rate assumptions, recourse requirement) are popular today
- Idaho economy has been resilient, though a weakening national economy could impact the local market
- We like our positioning should commercial real estate weaken further
 - We view a weaker commercial real estate market as positive for the portfolio



Boise Area Vacancy Rates



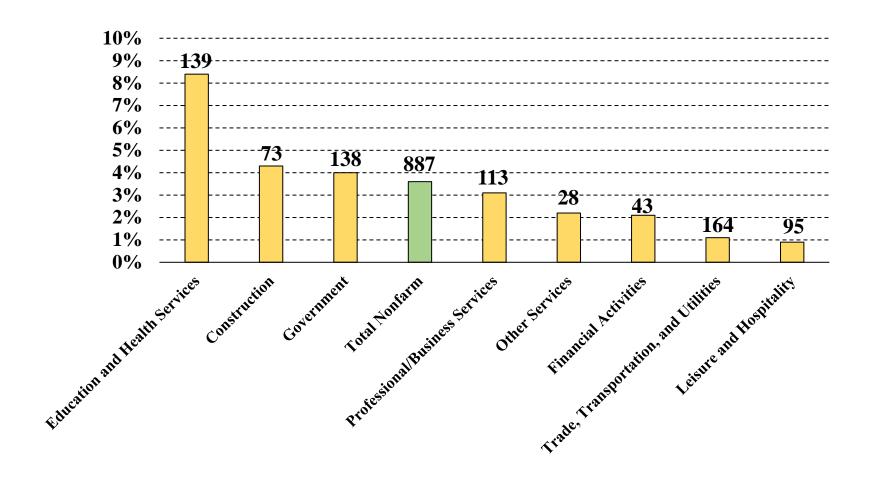
1-Year Population Growth*



Source: U.S. Census Bureau



Idaho Job Growth By Sector in 2024*





DBFitzpatrick Commercial Mortgage Portfolio Attributes*

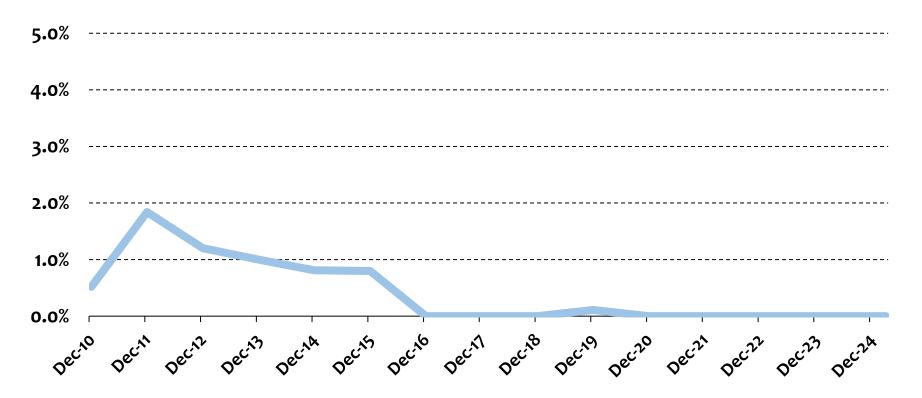
- Debt Service Coverage Ratio: 2.62
- Average Vacancy Rate (excluding hotels): 5.1%
- Current Loan Balance / Current Value (DBF value): 54.9%
 - Current Value = NOI / DBF cap rate at funding
- Personal Recourse

^{*}Values based on property financials received as of December 31, 2024 (268/274 loans)



Delinquencies & REOs

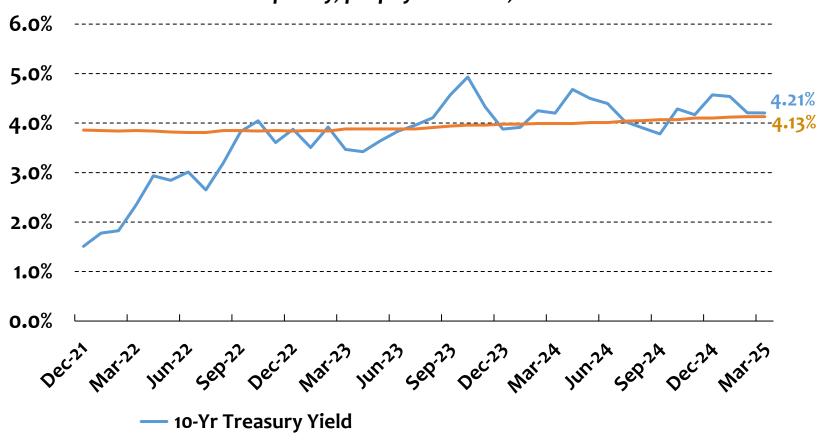
- The commercial mortgage portfolio has no REO (real estate owned) assets and a delinquency rate of 0.0%
- No substantive delinquencies since 2015
- No principal has ever been lost on a commercial mortgage loan in the program's history





Commercial Mortgage Portfolio Weighted Average Coupon vs. 10-Year Treasury Yield

Spread of coupon rate over Treasury yield compensates for lessened liquidity, prepayment risk, and credit risk



— Commercial Mortgage Portfolio Weighted Average Coupon

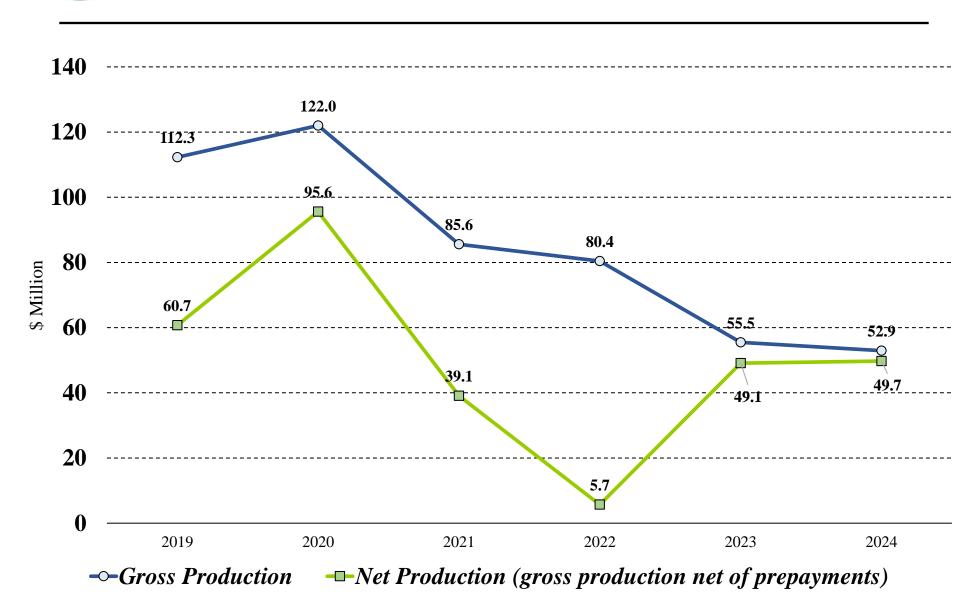
Weighted Average Coupon as of 3/31/2025

Bloomberg U.S. MBS Index: 3.37%

Bloomberg U.S. Aggregate Index: 3.50%

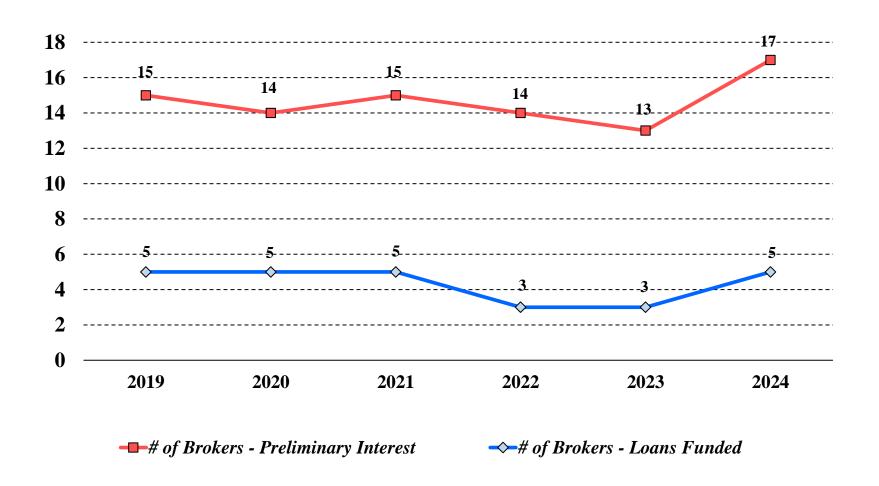


DBFitzpatrick **Commercial Mortgage Originations**



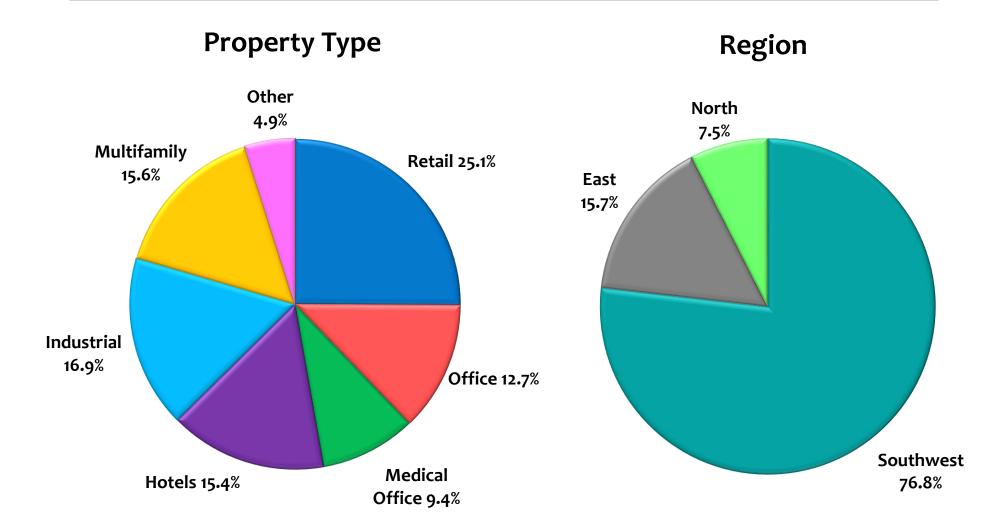


Brokers Utilized





Commercial Mortgage Portfolio by Sector and Region*



Total Portfolio Value: \$877.9m

Number of loans: 272 (all fixed rate)



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- The Bloomberg U.S. MBS Index contains exclusively agency mortgage-backed pass-through securities issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The Bloomberg U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency). Both Index returns are shown for comparison purposes only. The benchmark index returns include the reinvestment of income and dividends but do not include management fees and transaction costs. Volatility, number of issues, capitalization size, year-to-year return history, and other security attributes of the indices differ from the attributes of the DBF portfolios.
- Portfolio returns presented are through March 31, 2025, and are based on the "market value" of commercial mortgage loans in the composite. Because these are not liquid securities the firm utilizes a proprietary valuation process based on the U.S. Treasury yield curve to arrive at a hypothetical market value. Given the nature of these assets, the whole loan portfolio is valued using subjective unobservable inputs. Returns based on cost differ from returns based on market value.
- All account returns are net of transaction costs and reflect the reinvestment of dividends and other earnings. Gross returns do not reflect the deduction of the management fees or any other expenses that may be incurred in the management of the account. Net returns are net of management fees in effect for the respective time period.
- Future returns will depend on future allocation decisions. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that when redeemed, investments may be worth more or less than the original cost. Any investment, including DBF's portfolios, has the potential of generating losses as well as profits.
- Information throughout this presentation, whether securities quotes, charts, articles, or any other statement or statements regarding market or other financial information, is obtained from sources which we and our suppliers believe reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or for any delay or interruption in the transmission thereof to the user.



April 22, 2025

To: PERSI Board of Directors

From: Deputy Director
Subject: Operational Updates

Building Update:

- Garage door to underground parking failed and would not open

- o Building Manager is looking at replacement options
- Management is looking for temporary access solutions to keep non-authorized traffic from entering the parking area
- PERSI contacted Capitol Mall Security (CMS) to do patrols around the building

Guidance for CEC released:

- \$1.55 per FTP and an additional 4.5% for IT personnel
- Plans submitted by 4/25
- Unused funds must be reverted
 - o These reversions will be due by 7/1

Department Updates:

- Member Services
 - o Currently working Plant Moran who were onsite finishing up Unit 6 consulting plan
- <u>Fiscal</u>
 - o FY 25 audit season is starting
 - Data is being sent to auditors for sample data selections
 - Interim testing in June
 - Working with Callan and BNY on new custody agreement
- Information Technology
 - Al project is underway
 - Large Language Model (LLM) is being developed
 - Lots of testing will still need to be done
 - 6 months out is optimistic
- Quality Assurance
 - Launching continuous improvement model
 - Updating procedure documentation, process improvement, and quality reviews
- Programs
 - Choice Plan Department is working with Empower and employers on transition
 - o Training Department is expanding training menu with add on mini-courses





April 22, 2025

TO: Retirement Board Trustees FROM: Mike Hampton, Director

SUBJECT: Fiduciary Considerations for Actuarial Assumption Setting

Summary:

Nossaman LLP, PERSI Fiduciary Counsel, represented by Ashley Dunning and Michelle Mellon-Werch will provide the Board a brief fiduciary overview for the Board prior to setting assumptions. Ms. Dunning and Ms. Mellon-Werch will be available during the board meeting for questions.

Key Discussion:

Fiduciary Duties:

- Duty of loyalty.
- Duty of care.
- Duty to administer in accordance with statute, rules and other applicable law.

Action:

No action required. Informational only.



Fiduciary Considerations for Actuarial Assumption Setting and Related Funding Decisions

Meeting of the Board of Retirement of the Public Employees' Retirement System of Idaho (PERSI)

Ashley Dunning | Michelle Mellon-Werch | PERSI Fiduciary Counsel April 22, 2025



Today's Presenters



Ashley Dunning
Fiduciary Counsel
Partner, Nossaman LLP
Co-Chair, Pensions, Benefits
& Investments Group



Michelle Mellon-Werch
Fiduciary Counsel
Partner, Nossaman LLP
Pensions, Benefits
& Investments Group



Fiduciary Duties

Duty of loyalty to act "in the overall best interest of members and beneficiaries" Idaho Code Section 59-1301

- The best interest analysis requires actions by the Board take into account all members and beneficiaries impartially for the exclusive purpose of providing their vested benefits.
- Must balance generational differences, actives vs. retirees, civilian vs civil service.

Fiduciary Duties

Duty of care to act as "prudent person acting in a like capacity with and familiar with such matters" requires the Board to:

- Consult with qualified experts (internal and external) on topics not already in the Board member's expertise
- Exercise its informed judgment
- Have independent authority to make actuarial assumptions and other funding-related decisions that are critical to the long-term security of the system

Fiduciary Duties

Duty to administer plan in accordance with PERSI's statute, Board Rules and other applicable law (such as IRS qualification requirements, and case law)

- PERSI's Statute and the Board Rules provide the terms of the Plan
- Set forth the requirements for vested benefits, member eligibility, vesting and retirement eligibility, disability eligibility, etc...
- Foundational to all decisions by the Board



Actuarial Assumptions and Methodologies

- Board exercises its duty of care when it hires and relies on the recommendations of a qualified experts.
- Actuarial assumptions should be:
 - based on sound recommendations from PERSI's actuary and historical experience
 - seek to maintain actuarially sound and sustainable system for the vested benefits
 - be neutral in considerations of competing interests of members and beneficiaries (duty of loyalty)



Fiduciary Duties Related to Actuarial Assumptions and Other Funding-Related Decisions

- Duty of loyalty requires balancing competing interests
 - Active members vs. Retirees
 - Generational Interests: Newer vs. Older members
 - One vs. All

Fiduciary Duties Related to Actuarial Assumptions and Other Funding-Related Decisions

Duty of care

- Prudent and impartial analysis
- Support long term financial stability and security of the system
- Reliance on experts
 - Actuarial
 - Investment (Internal and External)
 - Administrative

Key Issues

How should the Board consider:

- Unfunded Actuarial Accrued Liabilities and Normal Cost
- Post Retirement Allowance Adjustments
 - 1% Statutory included in actuarial analysis
 - Discretionary PRAA not included in actuarial analysis, but may be studied



Thank You



Ashley Dunning
Fiduciary Counsel
Partner, Nossaman LLP
Co-Chair, Pensions, Benefits
& Investments Group



Michelle Mellon-Werch
Fiduciary Counsel
Partner, Nossaman LLP
Pensions, Benefits
& Investments Group



April 22, 2025

TO: Retirement Board Trustees FROM: Mike Hampton, Director

SUBJECT: Experience Study – Demographic Assumption Setting

Summary:

At the March Board meeting, Milliman presented its findings and recommendations regarding the demographic assumptions as part of its 2025 Actuarial Assumption Study. The impact of all demographic assumption recommendations was a \$0.02 billion increase to AAL, a -0.01% decrease to funded ratio, and a -0.29% decrease to normal cost rate.

Key Discussion:

Impact of recommendations:

- Retired Mortality Increase AAL \$0.01b, increase NC +0.01%.
- Other Terminations Increase AAL \$0.02b, decrease NC -0.21%.
- Retirement Increase AAL \$0.02b, decrease NC -0.03%.
- Merit Salary Increase Increase AAL \$0.02b, increase NC +0.05%.
- Disability Decrease AAL -\$0.02b, decrease NC -0.07%.
- Withdrawals Increase AAL \$0.01b, increase NC +0.01%.
- Form of Payment Decrease AAL -\$0.00b, decrease NC -0.00%.
- Inactive Retirement Decrease AAL -\$0.04b, decrease NC -0.05%.
- Death Benefit Decrease AAL -\$0.00b, decrease NC -0.00%.
- Spouse Age Difference no change.

Action:

The demographic assumption portion of the experience study has been completed by Milliman. Milliman has provided recommendations for adjustments to the Board. It is the staff's recommendation that the Board adopt the Milliman recommendations for adjustments to the demographic assumptions.

2025 PERSI Actuarial Assumptions Study

Demographic and Economic Assumptions Studies FYE 2027+ Contribution Rate Study

Robert Schmidt, FSA, EA, MAAA Ryan Cook, FSA, EA, MAAA APRIL 22, 2025





Agenda

- Demographic assumptions study
 - Adopt proposed changes from March presentation?
- Economic assumptions study
 - Background about economic assumptions for actuarial valuations
 - We studied three scenarios, all within the range of reasonableness
 - Impact on valuation results
- Contribution rates
 - Options for the Board to consider adjustments to scheduled rate increases



Demographic Assumptions



Proposed Demographic Assumption Changes

- We recommend the following changes:
 - Other Terminations: slight increase in termination rates
 - Retirements: increase in retirement rates
 - Merit Salary Increases: increase at early years of service, slight decrease at later years
 - Disability: decrease in disability rates
 - Inactive Member Retirement Age: increase in assumed retirement age
 - Other Minor Adjustments: minor adjustments to other assumptions
- Liability impact
 - Actuarial Accrued Liability (AAL) increase by \$0.02b
 - Normal Cost Rate (NCR) down by 0.29%
- See Appendix C for more details



Economic Assumptions



Introduction to Economic Assumptions

Classes of Economic Assumptions			
Category	Specific Assumptions	Relevance to Actuarial Valuation	
Minor Assumption	Administrative expense load	 Administrative expenses are a cost to the System 	
Key Assumptions	Wage inflation	 Benefits are based on member pay at retirement Contributions are based on member pay throughout their career Larger pay raises increase costs to the System, but also increase System funding 	
	Investment return	 Member benefits are funded through a combination of contributions and investment returns The higher the investment returns, the lower the contributions needed to fund the System 	

- Actual System costs will be determined by the actual experience of the plan, not the assumptions.
- Valuation assumptions allow us to project costs to allocate them appropriately.



Administrative Expense Load

July 1, 2020, to June 30, 2024, PERSI Experience Study

- In actuarial valuation, administrative expense load is subtracted from expected rate of investment returns
- Current 0.05% assumption supported by recent experience
- Recommend no change

	FY 2021	FY 2022	FY 2023	FY 2024	Average
Administrative Expenses	\$9.1 m	\$10.1 m	\$10.2 m	\$11.6 m	\$10.2 m
Mean Assets for Period*	\$17.8 b	\$22.3 b	\$19.7 b	\$21.1 b	\$20.2 b
Administrative Expense %	0.051%	0.046%	0.052%	0.055%	0.051%

^{*}Mean assets for period = ½ (beginning net assets + ending net assets - net return). See Table 7 of our Actuarial Valuation Reports for details.

The above table includes expenses and assets for the following plans:

- PERSI pension benefits
- Firefighters' Retirement Fund
- Judges' Retirement Fund
- Idaho Falls Police Retirement Fund



Wage Inflation

- Added with salary merit increase assumption to project future earnings of current members
- Current assumption is 3.05%

Average Growth through July 1, 2023			
	PERSI Average Wage	National Average Wage Index ¹	CPI-U ²
5-year average (2018–2023)	4.27%	4.94%	3.90%
10-year average (2013–2023)	3.23%	3.87%	2.71%
25-year average (1998–2023)	2.88%	3.42%	2.54%
50-year average (1973–2023)	4.14%	4.46%	3.94%

Average Growth through July 1, 2024			
	PERSI Average Wage	National Average Wage Index ¹	CPI-U ²
5-year average (2019–2024)	4.60%	Not published	4.17%
10-year average (2014–2024)	3.67%	Not published	2.80%
25-year average (1999–2024)	2.92%	Not published	2.58%
50-year average (1974–2024)	4.05%	Not published	3.79%



¹Index values from https://www.ssa.gov/oact/cola/AWI.html, adjusted to mid-year to align with PERSI's fiscal year

²June to June

Investment Return

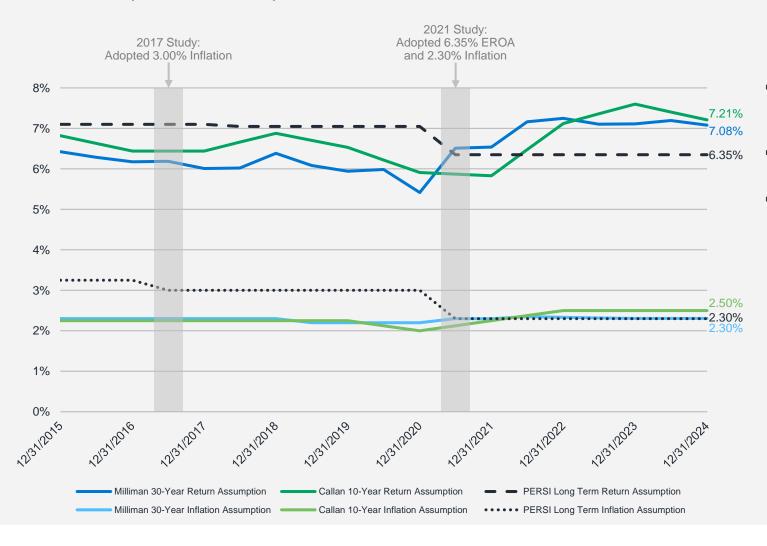
Considerations

- Assumption with one of largest impacts on calculated liabilities
 - Projected benefits extend many decades into the future (i.e., long duration of liabilities)
 - Decades of compounding results in liabilities being sensitive to assumed return
- Assumption should be based on the asset allocation of the Fund
- Difficult to predict accurately given past investment performance is not indicative of future performance
- Significant subjectivity in assumption:
 - No one "correct" assumption
 - A range of reasonable assumptions
- Investment return experience is expected to be volatile with gains and losses
 - Investment gains should be kept in the system to cover the future investment losses
 - Board's decision on expected return assumption affects frequency and magnitude of gains and losses relative to the assumption
- As a reminder, actual System costs will be determined by the actual experience of the plan, not the valuation assumptions.



Investment Return

Historical Capital Market Expectations



- Capital market expectations vary from firm to firm, but Milliman and Callan's assumptions are relatively similar most years
- PERSI lowered return assumption from 7.05% to 6.35% in 2021
- Capital market expectations have been higher since 2021

All expected returns are net of investment expenses, but not administrative expenses and are shown on a nominal basis.

Return expectations are based on PERSI's Strategic Policy target asset allocation.

Annual standard deviation for the return is 12.57% under Callan's 12/31/2024 capital market expectations.



Economic Assumption Scenarios

■ The following three sets of assumptions are within the range of reasonableness

	Scenario A (Current)	Scenario B	Scenario C
Expected Investment Return (net of investment expenses)	6.35%	6.55%	6.75%
Assumed Administrative Expense Load	<u>-0.05%</u>	<u>-0.05%</u>	<u>-0.05%</u>
Expected Net Investment Return (net of all expenses)	6.30%	6.50%	6.70%
CPI-U Inflation Assumption	2.30%	2.40%	2.50%
Real Wage Growth Assumption	<u>0.75%</u>	<u>0.75%</u>	0.75%
Wage Inflation	3.05%	3.15%	3.25%

All scenarios assume 13% annual standard deviation for investment returns.



Impact on July 1, 2024, Valuation Results

- All columns in below table include:
 - Proposed demographic assumption changes
 - All Board PAA and contribution rate decisions made since the valuation

Scenario	Scenario A (Current)	Scenario B	Scenario C
Expected Net Return* / Wage Inflation	6.30% / 3.05%	6.50% / 3.15%	6.70% / 3.25%
Actuarial Accrued Liability (AAL)	\$26.0 b	\$25.4 b	\$24.9 b
Market Value of Assets (MVA)	<u>\$22.1 b</u>	<u>\$22.1 b</u>	<u>\$22.1 b</u>
Unfunded AAL (UAAL)	\$3.8 b	\$3.3 b	\$2.8 b
Funded Ratio	85.2%	87.1%	88.8%
7/1/2024 Aggregate Total Contribution Rate	20.96%	20.96%	20.96%
Normal Cost Rate	<u>16.78%</u>	<u>16.21%</u>	<u>15.65%</u>
UAAL Amortization Rate	4.18%	4.75%	5.31%
Amortization Period based on 7/1/2024 contribution rates	32.6 years	21.4 years	14.7 years
Amortization Period with scheduled contribution rate increases	11.5 years	9.3 years	7.4 years

^{*}Expected return net of all expenses



Contribution Rates



Overview of Scheduled Rate Changes

Oct. 2022 rate increases

Were needed due to 7/1/2022 valuation results

- 1. Initial 1.25% increase effective 7/1/2024
- 2. Additional 2.50% increase effective 7/1/2025
- 3. Additional 3.75% increase effective 7/1/2026

On 7/1/2024, #1 went into effect

In Oct. 2024, Board delayed #2 and #3 by 1 year

Sep. 2023 temporary safety rate increase

Pay for 2023 return to work law

Safety rates temporarily increase by 1.14% effective 7/1/2024 and ending 6/30/2027

In Dec. 2024, Board voted to end 1.14% rate effective 3/31/2025

Current Contribution Rate Schedule

			Current rates	Future rates under	consideration
Class	FYE 2024	7/1/2024 – 3/31/2025	4/1/2025 – 6/30/2026	FYE 2027	FYE 2028+
Aggregate Employer Member Total	12.00%	12.89%	12.78%	14.33%	16.64%
	<u>7.52%</u>	<u>8.07%</u>	<u>7.99%</u>	<u>8.94%</u>	<u>10.38%</u>
	19.52%	20.96%	20.77%	23.27%	27.02%
General Employer Member Total	11.18%	11.96%	11.96%	13.53%	15.87%
	<u>6.71%</u>	<u>7.18%</u>	<u>7.18%</u>	<u>8.11%</u>	<u>9.52%</u>
	17.89%	19.14%	19.14%	21.64%	25.39%
Teacher Employer Member	12.69%	13.48%	13.48%	15.04%	17.38%
	7.62%	8.08%	8.08%	9.02%	10.43%
Total Safety	20.31%	21.56%	21.56%	24.06%	27.81%
Employer	13.26%	14.65%	13.98%	15.44%	17.62%
Member	<u>9.83%</u>	<u>10.83%</u>	10.36%	<u>11.40%</u>	<u>12.97%</u>
Total	23.09%	25.48%	24.34%	26.84%	30.59%



Impact of Reducing or Canceling Rate Increases

			Scenario A (Current Econ. Assumptions) ¹ 6.30% / 3.05%		Scenario B ¹ 6.50% / 3.15%		Scenario C ¹ 6.70% / 3.25%	
#	Contribution Rate Scenario	FYE 2028+ Contribution Rate	7/1/2024 Amortization Period	Min. FYE 2025 Asset Return ²	7/1/2024 Amortization Period	Min. FYE 2025 Asset Return ²	7/1/2024 Amortization Period	Min. FYE 2025 Asset Return ²
1	Do nothing	27.02%	11.5 years	-12.3%	9.3 years	-16.7%	7.4 years	-21.0%
2	Cancel 2.50% increase	24.52%	15.2 years	-3.6%	11.9 years	-8.0%	9.2 years	-12.4%
3	Cancel 2.50% increase & reduce 3.75% increase to 2.00%	22.77%	19.9 years	2.3%	14.7 years	-2.3%	11.0 years	-6.7%
4	Cancel both 2.50% and 3.75% increases	20.77%	32.6 years	8.8%	21.4 years	4.2%	14.7 years	-0.2%

¹Shows expected return net of all expenses and assumed wage inflation in that order.

All results are based on the 7/1/2024 valuation results adjusted for the proposed demographic assumption changes and contribution rate decisions made since the valuation. The results assume no gains, losses, or benefit increases above the statutory 1% per year after July 1, 2024, other than the 0.3% retro-PAA granted on March 1, 2025.



²Minimum asset return needed in FYE 2025 to avoid the July 1, 2025, amortization period being above 25.0 years.

Next Steps



PERSI Actuarial Assumptions Study + FY 2027 Contribution Rate Setting

Proposed Spring 2025 Board Meeting Schedule

March 18th Board Meeting

90 minutes

- Demographic assumption study
 - Background about demographic assumptions for actuarial valuations
 - Our philosophy with setting demographic assumptions
 - PERSI demographic assumptions study results and recommendations
 - Liability impacts
- Economic assumptions study
- Background about economic assumptions for actuarial valuations
- PERSI economic assumption study results

April 22nd Board Meeting

45 minutes

- Board votes to adopt demographic assumptions
- Review economic assumption study
- Contribution rate scenarios
 - Range of options for contribution rate schedule
 - Impact on valuation results
- Feedback from Board on additional scenarios for May

May 20th Board Meeting

45 minutes

- Additional scenarios
- Board votes to:
- Adopt expected return and other economic assumptions
- Adjust the FY 2027 (and possibly FY 2028) contribution rates (if changes desired)



Caveats



Certification

See our July 1, 2024, Valuation Report, for a description of the assumptions, methods, and plan provisions used in this report. See our July 1, 2024; July 1, 2023; July 1, 2022; July 1, 2021; July 1, 2020; and July 1, 2019, Valuation Reports for a summary of the data used in this report.

See the Risk Disclosure sections of our July 1, 2024, actuarial valuation report for a summary of risks relevant to this plan.

Actuarial computations presented in this report are for the purposes of determining the recommended funding amounts for the System. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding policy. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report, and actuarial cost methods are adopted by the Retirement Board. That entity is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods, and assumptions used in this valuation are those that have been so adopted and are described in this report. The System is solely responsible for communicating to Milliman any changes required thereto. All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated future experience affecting the System and are expected to have no significant bias.

This valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.



Certification (continued)

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or modifications to contribution calculations based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of future measurements. The Retirement Board has the final decision regarding the selection of the assumptions and actuarial cost methods, and the Board has adopted them as indicated in Appendix A of our 2024 Valuation Report.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by PERSI's staff. This information includes, but is not limited to, benefit provisions, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different, and our calculations may need to be revised.

Milliman's work is prepared solely for the use and benefit of the System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third-party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
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Certification (continued)

The valuation results were developed using models intended for valuations that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal, investment, or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Robert L. Schmidt, FSA, EA, MAAA Principal and Consulting Actuary Ryan J. Cook, FSA, EA, CERA, MAAA Consulting Actuary





Thank you

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Appendix A

Valuation Methods



Valuation Methods

Actuarial cost method

Entry Age Normal, level percent of pay

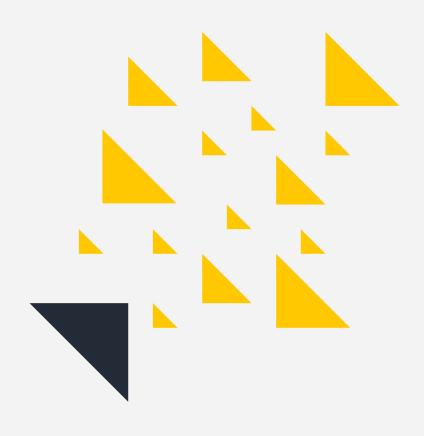
Amortization method

Amortized as a level percent of future payroll

Payroll growth equal to wage inflation

Actuarial Value of Assets method

Use Market Value of assets





Actuarial Value of Assets

- Asset value used in calculation of Unfunded Actuarial Accrued Liability (UAAL)
- PERSI currently uses Market Value of Assets as of valuation date without any smoothing
- Many systems use assets smoothing
 - Reduces the impact of short-term asset volatility on pension valuations by spreading it out over time.
 - See our April 24, 2023, educational presentation on asset smoothing for more details (sample chart from that presentation shown below)
- Board already has flexibility on contribution rates under Idaho Statute (grace periods, staggered rate increases, ability to delay/cancel proposed rate increases)
- Additional analysis can be provided if PERSI would like to explore asset smoothing



^{*}Hypothetical funded ratio of PERSI assuming 5-year asset smoothing with a 20% corridor was adopted starting with the July 1, 2003, valuation (phased in over 5 years).



Payroll Growth

- Used to project future contribution income in amortization period calculation
- Two sources: wage inflation and population growth
- PERSI has historically set assumption equal to wage inflation assumption (i.e., assumed no population growth)
- While assuming population growth may be reasonable, given plan history, actuarial best practices encourage assuming a stable population
- Recommend continuing to set equal to wage inflation assumption

Average Growth through July 1, 2024						
	PERSI Covered Payroll	PERSI Average Wage	PERSI Active Member Population	CPI-U ¹		
5-year average (2019–2024)	6.22%	4.60%	1.56%	4.17%		
10-year average (2014–2024)	5.40%	3.67%	1.70%	2.80%		

¹June to June



Appendix B

Economic Assumption Support



Interest on Member Contributions

- Actual interest rate is equal to greater of:
 - 90% of net asset returns of trust
 - 1.00%
- Assumption is calculated by simulating various investment return scenarios, applying the above formula to each, and calculating the average long-term interest rate
- Current assumption is 8.50%
 - Based on 6.30% assumed investment return and 13% assumed standard deviation chosen in prior study
- New recommendation will be based on the investment return and standard deviation chosen in this study

Investment Return Assumption (net of all expenses)	6.30%	6.50%	6.70%
Annual Standard Deviation of Investment Return	13%	13%	13%
Implied Annual Interest on Member Contributions	8.54%	8.65%	8.77%
Proposed Assumption for Annual Interest on Member Contributions	8.50%	8.75%	8.75%



Investment Return

PERSI Historical Experience

- Current assumed investment return, net of investment expenses, is 6.35% (2.30% inflation)
- 0.05% administrative expense load is subtracted to give 6.30%, but below table is gross of administrative expenses, so is comparable to the 6.35%

Experience through July 1, 2024				
	PERSI Investment Return ¹	CPI-U ²		
5-year average (2019–2024)	7.06%	4.17%		
10-year average (2014–2024)	6.80%	2.80%		
25-year average (1999–2024)	6.40%	2.58%		
50-year average (1974–2024)	8.31%	3.79%		

¹Returns are shown on a nominal basis and are net of investment expenses, but not administrative expenses. Includes the following plans (noting that some of these plans have been included in the trust for less than 50 years):

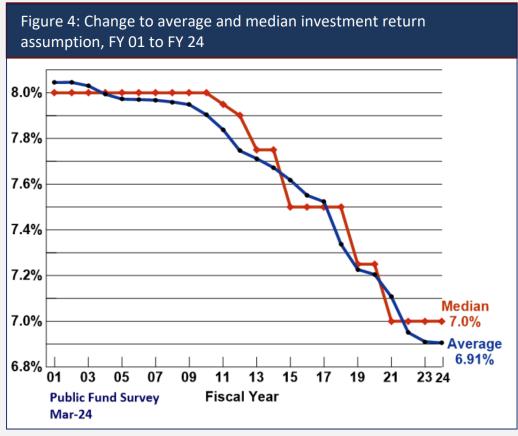
- PERSI pension benefits
- Firefighters' Retirement Fund
- Judges' Retirement Fund
- Idaho Falls Police Retirement Fund

²June to June

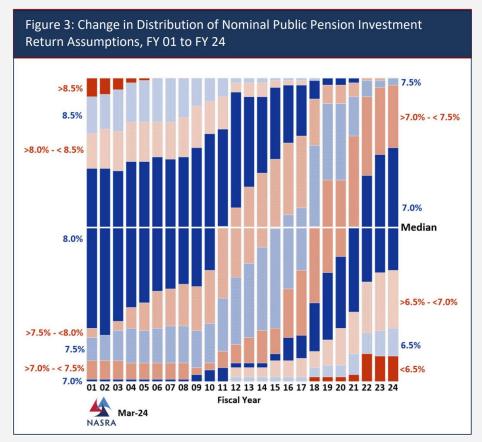


Investment Return

NASRA Historical Analysis







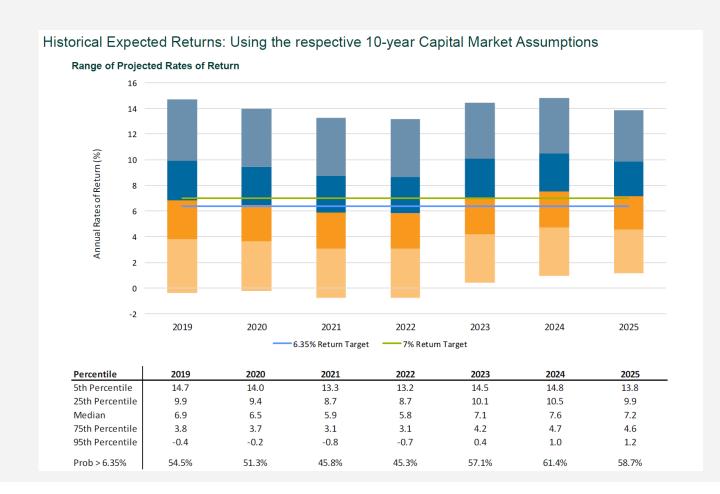
NASRA Issue Brief: Public Pension Plan Investment Return Assumptions (Updated March 2024)



This work product was prepared solely for PERSI for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Investment Return

Historical Capital Market Expectations (continued)



From Callan's February 28, 2025, report on Capital Market Expectations for the Public Employee Retirement System of Idaho

All expected return on assets (EROAs) are net of investment expenses, but not administrative expenses and are shown on a nominal basis.

EROA expectations are based on PERSI's Strategic Policy target asset allocation.

Annual standard deviation is 12.57% under Callan's 12/31/2024 capital market expectations.



Appendix C

Demographic Assumption Support



Introduction to Demographic Assumptions

Classes of Demograp	ohic Assumptions	
Category	Specific Assumptions	Relevance to Actuarial Valuation
How long do members and	Mortality	 Benefits are paid as lifetime annuities
their beneficiaries live?	 Spouse age difference 	If members live longer, they receive more benefits, and costs to the System are higher
	 Retirement 	• The longer members work, the higher benefits they earn, and the longer they and their employer
When and how do members leave PERSI?	Disabilities	are contributing to the System
	Other terminations	 How members leave affects their benefits (e.g., disabilities get higher benefits and terminations get lower benefits)
		Cost impacts vary
What's the pattern of pay	Merit salary increases	Benefits are based on member pay at retirement
increases across a		 Contributions are based on member pay throughout their career
member's career?		 Larger pay raises increase costs to the System, but also increase System funding
	 Withdrawing member contributions at termination 	Different elections have different costs to the System
What benefits do members	 Inactive member retirement age 	Cost impacts vary
elect?	 Form of payment election 	
	 Death benefit election 	

[■] Recommended assumption changes, in aggregate, lower funded ratio by 0.1% and lower Normal Cost Rate by 0.29%



Retired Member Mortality Assumptions

July 1, 2019, to June 30, 2024, PERSI Experience Study

Recommendations

Base Mortality Table

Recommend continued use of Pub-2010 tables

- Pub-2010 is the Society of Actuaries' latest finalized study of public pension plan mortality experience
- Exposure draft of Pub-2016 released but not finalized

Adjustment for PERSI Experience

Recommend continued use of loads from 2021 study

- First few years of study shaped by COVID-19 pandemic with PERSI experience following a similar pattern to the US age 65+ population
- Waiting for more post-pandemic experience before changing

Mortality Improvement

Recommend updating 60-year average period for Social Security Administration's 2018 and 2019 data

 2020 and 2021 data is available but not incorporating due to COVID-19 pandemic

Actual vs. Expected Experience					
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024
PERSI Retirees	110%	120%	106%	98%	91%
US 65+ Population*	105%	116%	114%	105%	103%

^{*}From Figure 2 of RPEC 2024 Mortality Improvement Update (October 2024) published by the Society of Actuaries

Impact on July 1, 2024, Valuation

Present Value of Future Benefits Current assumption Change	\$33.94 b +0.01 b
Proposed assumption	\$33.95 b
Normal Cost Rate	
Current assumption	17.07%
Change	<u>+0.01%</u>
Proposed assumption	17.08%



Other Termination from Employment

July 1, 2020, to June 30, 2024, PERSI Experience Study

- Service-based assumption
- Experience higher than expected
- High level of quits seen across US from mid-2021 through mid-2023 ("Great Resignation")
- Recommend tempered adjustment to assumption

Termination Experience from July 1, 2020, through June 30, 2024

	Expected	Actual	Actual / Expected	Proposed	Actual / Proposed
General Male	5,627	6,841	122%	5,930	115%
General Female	10,313	12,401	120%	10,835	114%
Teacher Male	751	1,003	134%	812	124%
Teacher Female	2,702	3,485	129%	2,898	120%
Fire & Police	1,770	2,142	121%	1,861	115%
Total	21,162	25,872	122%	22,336	116%

Impact on July 1, 2024, Valuation

Present Value of Future Benefits

Current assumption*	\$33.95 b
Change	<u>-0.25 b</u>
Proposed assumption	\$33.70 b

Current assumption*	17.08%
Change	<u>-0.21%</u>
Proposed assumption	16.87%

^{*}Includes proposed assumptions from prior slides.



Retirement

July 1, 2020, to June 30, 2024, PERSI Experience Study

- Age-based assumption split by eligibility for full benefits
- Experience higher than expected
- Primarily due to a change we made this study to our definition of "retirement" to include members that terminated while retirement eligible but deferred commencement
- Recommend adjusting assumptions

Retirement Experience from July 1, 2020, through June 30, 2024*

	Reduced	Benefits	First Year Full B	•		fter First Year Eligible for Full Benefits		Total	
	Actual / Expected	Actual / Proposed	Actual / Expected	Actual / Proposed	Actual / Expected	Actual / Proposed	Actual / Expected	Actual / Proposed	
General Male	160%	123%	117%	108%	127%	112%	138%	116%	
General Female	170%	126%	113%	106%	123%	110%	142%	117%	
Teacher Male	143%	117%	114%	107%	119%	108%	128%	112%	
Teacher Female	135%	115%	106%	103%	108%	104%	119%	109%	
Fire & Police	198%	133%	141%	117%	104%	102%	144%	118%	
Total	161%	123%	115%	107%	119%	109%	136%	115%	

^{*}Only includes retirements prior to 100% assumed retirement age (75 general, 70 teacher and safety).

Impact on July 1, 2024, Valuation

Present Value of Future Benefits

Current assumption*	\$33.70 b
Change	<u>-0.25 b</u>
Proposed assumption	\$33.45 b

Current assumption*	16.87%
Change	<u>-0.03%</u>
Proposed assumption	16.84%

^{*}Includes proposed assumptions from prior slides.



Merit Salary Increases

July 1, 2020, to June 30, 2024, PERSI Experience Study

- Individual salary increases (for promotion and longevity) net of average wage increases in PERSI (by class)
- Service-based assumption
- Experience showed merit salary increases were lower than expected (primarily early in careers)
- Note that overall wages increased faster than expected, but that was driven by high wage inflation (averaged 4.94% compared to 3.05% assumption)
- Recommend adjusting merit salary increases assumption

Individual Annual Salary Increases* Net of Average Wage Growth Across Class: Experience from July 1, 2020, through June 30, 2024

	Expected	Actual	Proposed
General Male	3.38%	2.44%	2.92%
General Female	4.19%	3.75%	3.98%
Teacher Male	3.17%	2.83%	2.99%
Teacher Female	3.80%	3.28%	3.54%
Fire & Police	3.53%	3.47%	3.38%

^{*}Assumption varies by years of service; this table shows the average across all years.

Impact on July 1, 2024, Valuation

Present Value of Future Benefits

Current assumption*	\$33.45 b
Change	<u>+0.06 b</u>
Proposed assumption	\$33.51 b

Current assumption*	16.84%
Change	+0.05%
Proposed assumption	16.89%

^{*}Includes proposed assumptions from prior slides.



Disability

July 1, 2020, to June 30, 2024, PERSI Experience Study

- Age-based assumption
- Experience much lower than expected
- Continues trend seen in prior study of decreasing rates of disabilities
- Recommend adjustment to assumption

Disability Experience from July 1, 2020, through June 30, 2024

	Expected	Actual	Actual / Expected	Proposed	Actual / Proposed
General Male	96	29	30%	62	47%
General Female	133	39	29%	86	45%
Teacher Male	17	13	76%	15	87%
Teacher Female	62	27	44%	45	60%
Fire & Police	31	21	68%	26	81%
Total	339	129	38%	234	55%

Impact on July 1, 2024, Valuation

Present Value of Future Benefits

Current assumption*	\$33.51 b
Change	<u>-0.03 b</u>
Proposed assumption	\$33.48 b

Current assumption*	16.89%
Change	<u>-0.07%</u>
Proposed assumption	16.82%

^{*}Includes proposed assumptions from prior slides.



Withdrawing Member Contributions at Termination

July 1, 2020, to June 30, 2024, PERSI Experience Study

- At termination, members can elect to:
- Withdraw their member contributions with interest as a lump sum or
- If vested, wait until retirement and receive an annuity
- Most leave their contributions in the System and receive a deferred annuity
- Experience showed more members left their money in the System than expected
- Recommend adjusting assumption

Election NOT to Withdraw Member Contributions at Termination: Experience from July 1, 2020, through June 30, 2024

	Expected	Actual	Actual / Expected	Proposed	Actual / Proposed
General Male	1,269	1,415	111%	1,341	106%
General Female	2,286	2,527	111%	2,406	105%
Teacher Male	393	395	101%	394	100%
Teacher Female	1,326	1,377	104%	1,352	102%
Fire & Police	473	576	122%	525	110%
Total	5,747	6,290	109%	6,018	105%

Impact on July 1, 2024, Valuation

Present Value of Future Benefits

Current assumption*	\$33.48 b
Change	<u>+0.01 b</u>
Proposed assumption	\$33.49 b

Current assumption*	16.82%
Change	<u>+0.01%</u>
Proposed assumption	16.83%

^{*}Includes proposed assumptions from prior slides.



Form of Payment Election

July 1, 2020, to June 30, 2024, PERSI Experience Study

- Members have the following options for annuities at retirement
 - Regular Retirement Allowance (Single Life Annuity or SLA)
 - Option 1 100% Contingent Annuitant Allowance (100% CA)
 - Option 2 50% Contingent Annuitant Allowance (50% CA)

With any of the above options, the member can elect to receive an increased benefit prior to social security full retirement age and a smaller benefit after in order to receive level combined PERSI and social security benefits.

- Experience in line with assumption
- Recommend simplifying assumption by rounding to nearest 5%

Form of Payment Election Experience from July 1, 2020, through June 30, 2024

	Expected	Actual	Proposed
SLA	57%	55%	55%
100% CA	29%	32%	30%
50% CA	14%	13%	15%

Impact on July 1, 2024, Valuation

Present	Value	of	Future	Benefits
---------	-------	----	---------------	----------

Current assumption*	\$33.49 b
Change	<u>-0.00 b</u>
Proposed assumption	\$33.49 b

Current assumption*	16.83%
Change	<u>-0.00%</u>
Proposed assumption	16.83%

^{*}Includes proposed assumptions from prior slides.



Average Inactive Member Retirement Age

July 1, 2020, to June 30, 2024, PERSI Experience Study

- Current assumption:
 - Age 62 for general and teacher members
 - Age 55 for safety members
- July 1, 2020, through June 30, 2024, experience:
 - Age 64.4 for general and teacher members
 - Age 58.1 for safety members
- Recommend adjusting assumption to:
 - Age 63 for general and teacher members
 - Age 57 for safety members

Impact on July 1, 2024, Valuation

Present Value of Future Benefits

Current assumption*	\$33.49 b
Change	<u>-0.07 b</u>
Proposed assumption	\$33.42 b

Current assumption*	16.83%
Change	<u>-0.05%</u>
Proposed assumption	16.78%

^{*}Includes proposed assumptions from prior slides.



Death Benefit Election

July 1, 2020, to June 30, 2024, PERSI Experience Study

- When a member dies prior to retirement, the beneficiary can elect to receive:
 - 200% of the accumulated member contributions with interest as a lump sum or
 - If married and vested, receive an annuity based on the member's accrued benefit.
- Current assumption: 15% of vested deaths elect an annuity, 85% elect a lump sum
- July 1, 2020, through June 30, 2024, experience:
 - 280 vested deaths
 - 52 elected annuity (19%)
 - 228 elected lump sum (81%)
- Recommend adjusting assumption to 20% elect annuity, 80% lump sum.

Impact on July 1, 2024, Valuation

Present Value of	Future	Benefits
------------------	--------	-----------------

Current assumption*	\$33.42 b
Change	<u>-0.00 b</u>
Proposed assumption	\$33.42 b

Current assumption*	16.78%
Change	<u>-0.00%</u>
Proposed assumption	16.78%

^{*}Includes proposed assumptions from prior slides.



Average Spouse Age Difference

July 1, 2020, to June 30, 2024, PERSI Experience Study

- Current assumption:
- Male members are 2 years older than their spouse
- Female members are 2 years younger than their spouse
- July 1, 2020, through June 30, 2024, experience:
 - Male members are 2.1 years older than their spouse
 - Female members are 1.8 years younger than their spouse
- Recommended no change

Impact on July 1, 2024, Valuation

Present Value of Future Benefits

Current assumption* \$33.42 b
No change No change

Normal Cost Rate

Current assumption* 16.78% No change No change

*Includes proposed assumptions from prior slides.



Total Liability Impact

Demographic Assumptions

Impact on July 1, 2024, Valuation

	Present Value of Future Benefits	Actuarial Accrued Liability (AAL)	Funded Ratio	General Members' Normal Cost Rate	Teachers' Normal Cost Rate	Safety Members' Normal Cost Rate	Total Normal Cost Rate
Current assumptions	\$33.94 b	\$25.92 b	85.4%	15.44%	17.79%	20.79%	17.07%
Mortality	+0.01 b	+0.01 b	-0.0%	+0.01%	+0.00%	+0.00%	+0.01%
Other termination	-0.25 b	+0.02 b	-0.1%	-0.20%	-0.24%	-0.18%	-0.21%
Retirement	-0.25 b	+0.02 b	-0.1%	-0.06%	-0.02%	+0.05%	-0.03%
Merit salary increases	+0.06 b	+0.02 b	-0.0%	-0.11%	+0.29%	+0.14%	+0.05%
Disability	-0.03 b	-0.02 b	+0.0%	-0.08%	-0.06%	-0.09%	-0.07%
Withdrawing member contributions	+0.01 b	+0.01 b	-0.0%	+0.02%	-0.00%	+0.01%	+0.01%
Form of payment election	-0.00 b	-0.00 b	+0.1%	+0.00%	-0.01%	-0.00%	-0.00%
Inactive member retirement age	-0.07 b	-0.04 b	+0.0%	-0.05%	-0.04%	-0.10%	-0.05%
Death benefit election	-0.00 b	-0.00 b	+0.0%	-0.00%	-0.00%	-0.00%	-0.00%
Spouse age difference	No change	No change	No change	No change	No change	No change	No change
Total	-0.52 b	+0.02 b	-0.1%	-0.47%	-0.08%	-0.17%	-0.29%
Proposed assumptions	\$33.42 b	\$25.94 b	85.3%	14.97%	17.71%	20.62%	16.78%



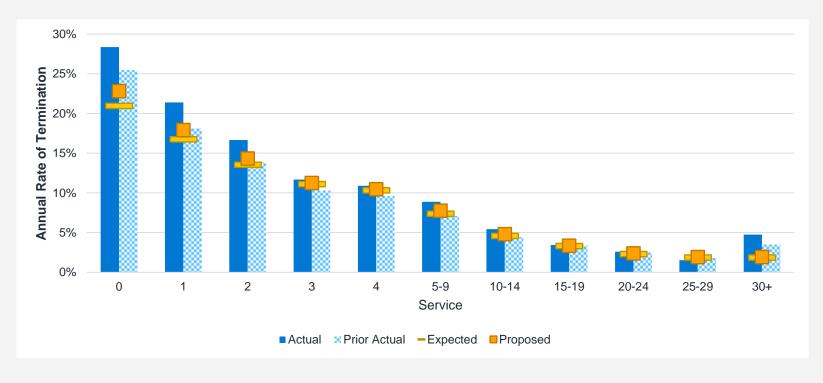
Mortality Assumption

	Current Assumption	Proposed Assumption
General Male Annuitant & Male Beneficiaries	Pub-2010, general, male, annuitant table increased 11%	No change
General Male Non-Annuitant	Pub-2010, general, male, employee table	No change
General Female Annuitant & Female Beneficiaries	Pub-2010, general, female, annuitant table increased 21%	No change
General Female Non-Annuitant	Pub-2010, general, female, employee table	No change
Teacher Male Annuitant	Pub-2010, teacher, male, annuitant table increased 12%	No change
Teacher Male Non-Annuitant	Pub-2010, teacher, male, employee table	No change
Teacher Female Annuitant	Pub-2010, teacher, female, annuitant table increased 21%	No change
Teacher Female Non-Annuitant	Pub-2010, teacher, female, employee table	No change
Fire & Police Male Annuitant	Pub-2010, safety, male, annuitant table increased 21%	No change
Fire & Police Male Non-Annuitant	Pub-2010, safety, male, employee table	No change
Fire & Police Female Annuitant	Pub-2010, safety, female, annuitant table increased 26%	No change
Fire & Police Female Non-Annuitant	Pub-2010, general, female, employee table	No change
Disabled Male	Pub-2010, general, male, disabled table increased 38%	No change
Disabled Female	Pub-2010, general, female, disabled table increased 36%	No change
Mortality Improvement	60-year average of the mortality improvement experience in the United States for the years 1957 through 2017 as released by the Social Security Administration Blended 50% male, 50% female	60-year average of the mortality improvement experience in the United States for the years 1959 through 2019 as released by the Social Security Administration Blended 50% male, 50% female



Other Termination from Employment

General Male



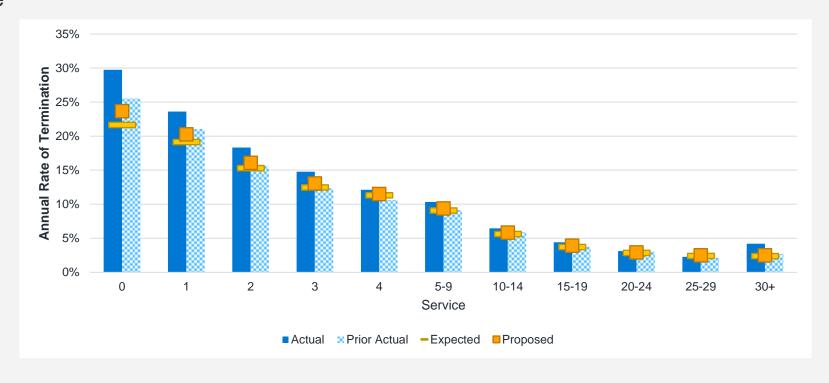
	Expected	Actual	Proposed
Terminations	5,627	6,841	5,930
Actual / Expected	122%		115%

Actual is based on the 7/1/2020 - 6/30/2024 study period. Prior Actual is based on the 7/1/2015 - 6/30/2020 study period.



Other Termination from Employment

General Female



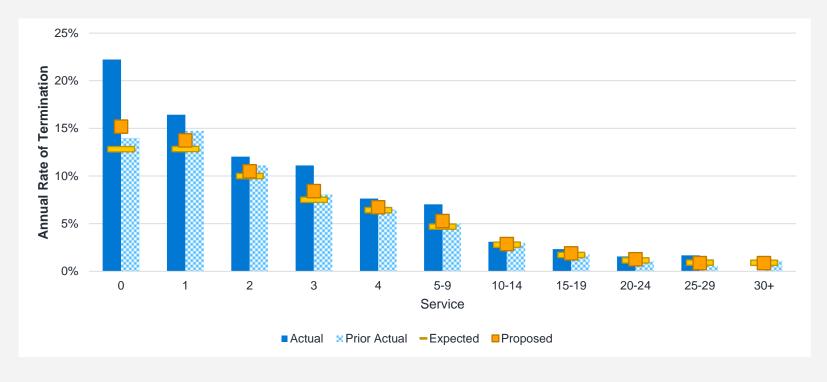
Expected Actual Proposed Terminations 10,313 12,401 10,835 Actual / Expected 120% 114%

Actual is based on the 7/1/2020 - 6/30/2024 study period. Prior Actual is based on the 7/1/2015 - 6/30/2020 study period.



Other Termination from Employment

Teacher Male

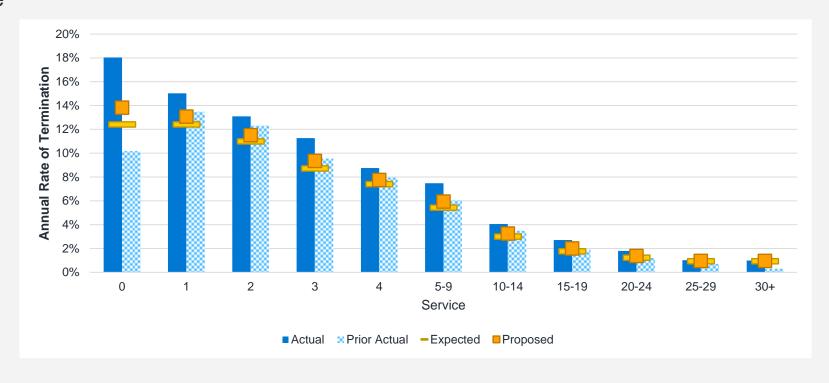


	Expected	Actual	Proposed
Terminations	751	1,003	812
Actual / Expected	134%		124%



Other Termination from Employment

Teacher Female

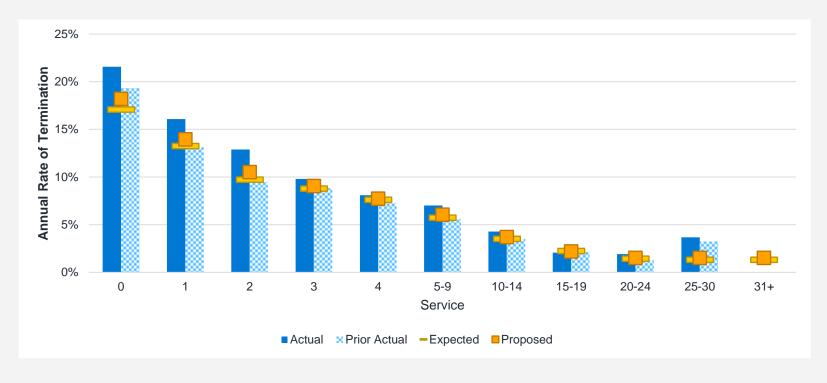


	Expected	Actual	Proposed
Terminations	2,702	3,485	2,898
Actual / Expected	129%		120%



Other Termination from Employment

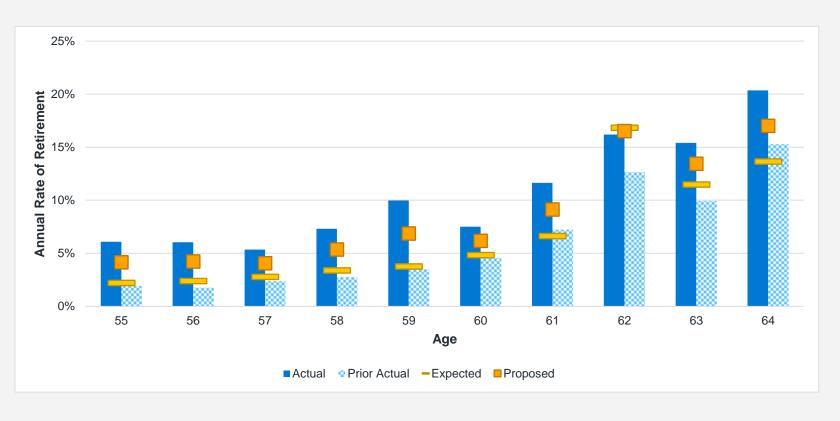
Fire & Police



	Expected	Actual	Proposed
Terminations	1,770	2,142	1,861
Actual / Expected	121%		115%



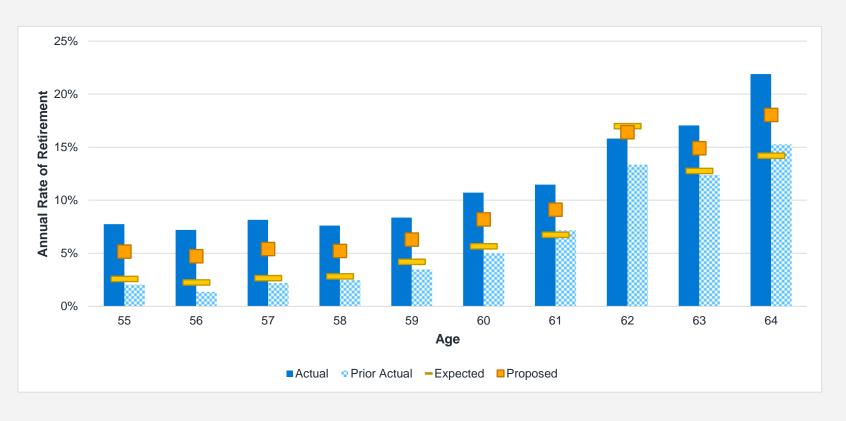
General Male



	Expected	Actual	Proposed
Count (Ages 55-64)	820	1,308	1,065
Actual / Expected	160%		123%



General Female



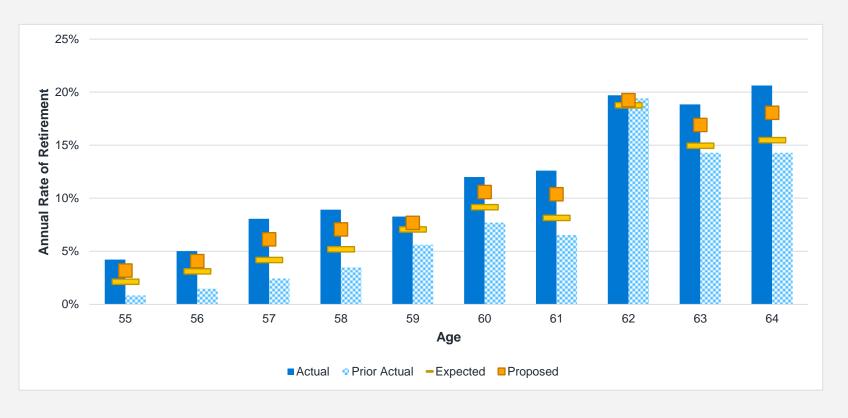
 Expected
 Actual
 Proposed

 Count (Ages 55-64)
 1,351
 2,292
 1,823

 Actual / Expected
 170%
 126%



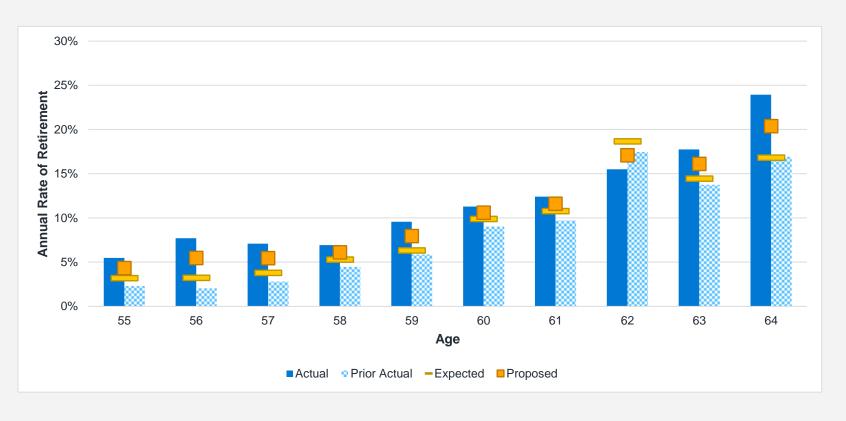
Teacher Male



	Expected	Actual	Proposed
Count (Ages 55-64)	203	289	246
Actual / Expected	143%		117%



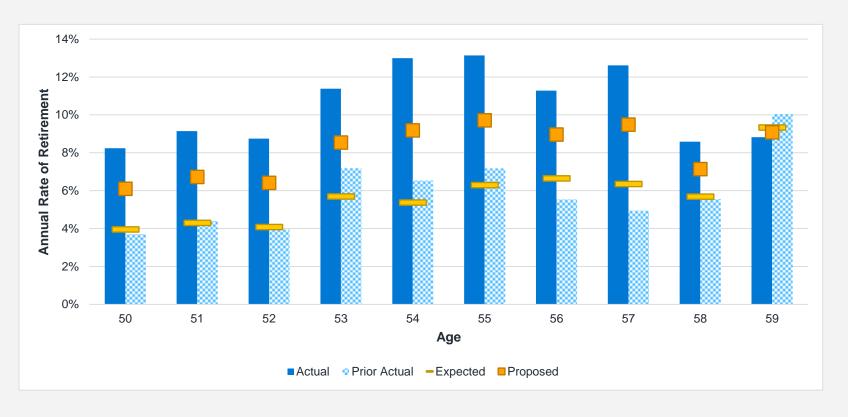
Teacher Female



	Expected	Actual	Proposed
Count (Ages 55-64)	634	853	744
Actual / Expected	135%		115%



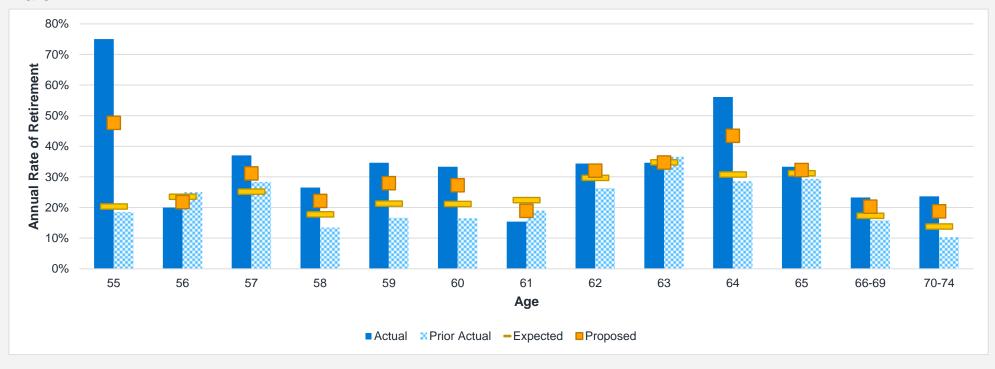
Fire & Police



	Expected	Actual	Proposed
Count (Ages 50-59)	226	448	337
Actual / Expected	198%		133%



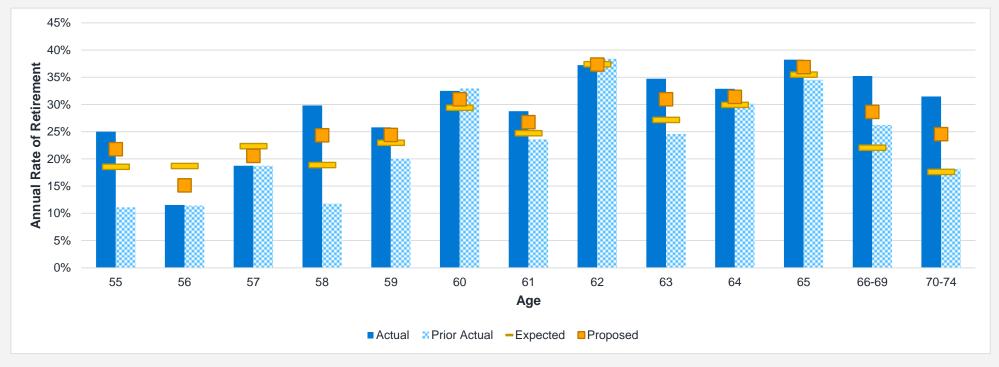
General Male



Expected Actual Proposed Count (Ages 55-74) 401 471 436 Actual / Expected 117% 108%



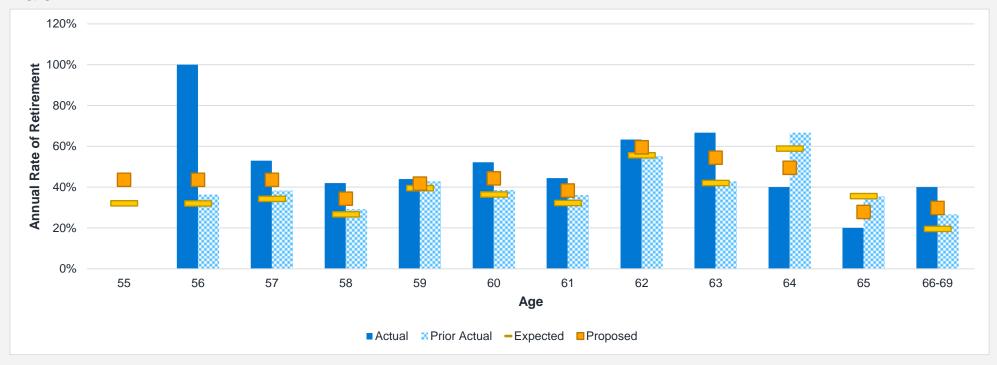
General Female



	Expected	Actual	Proposed
Count (Ages 55-74)	631	713	672
Actual / Expected	113%		106%



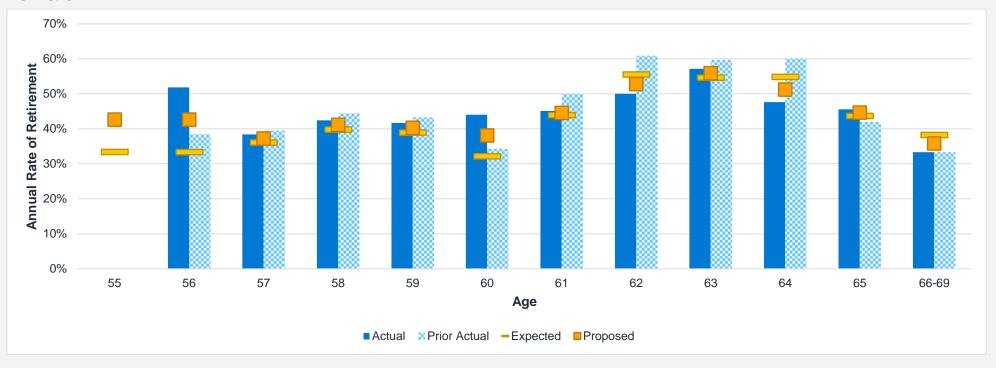
Teacher Male



	Expected	Actual	Proposed
Count (Ages 55-69)	120	137	128
Actual / Expected	114%		107%



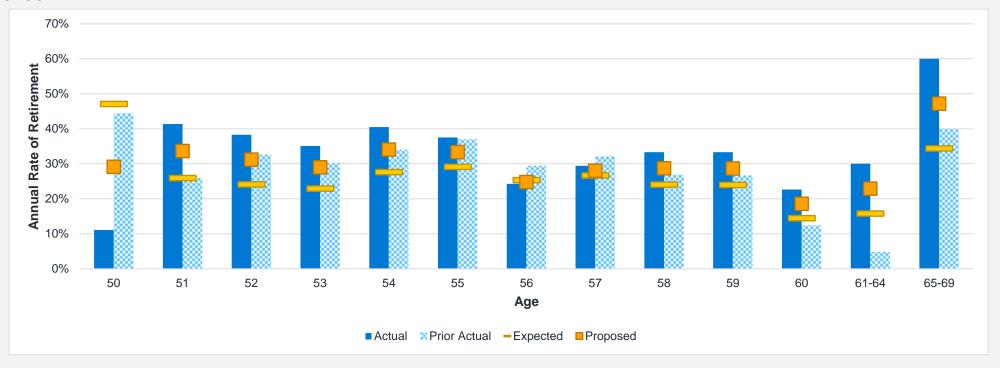
Teacher Female



	Expected	Actual	Proposed
Count (Ages 55-69)	366	387	376
Actual / Expected	106%		103%



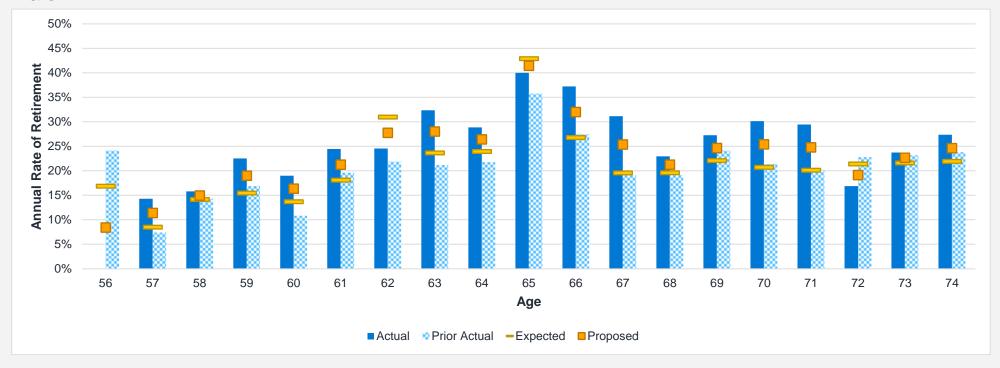
Fire & Police



	Expected	Actual	Proposed
Count (Ages 50-69)	110	155	132
Actual / Expected	141%		117%



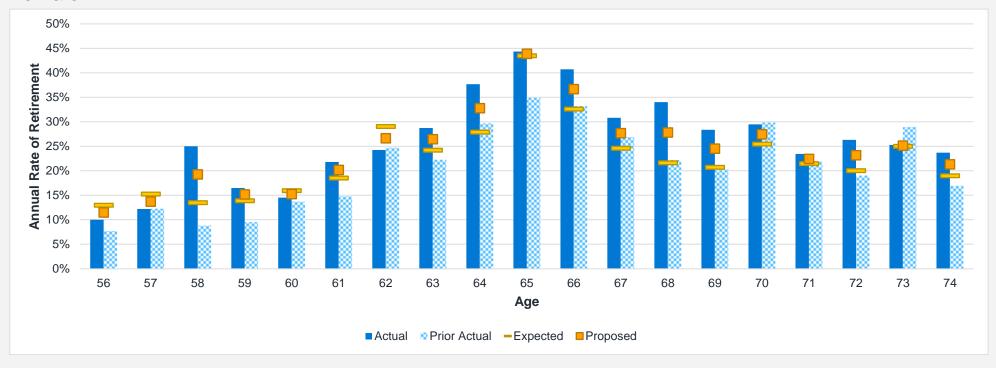
General Male



Expected Actual Proposed Count (Ages 56-74) 811 1,029 921 Actual / Expected 127% 112%



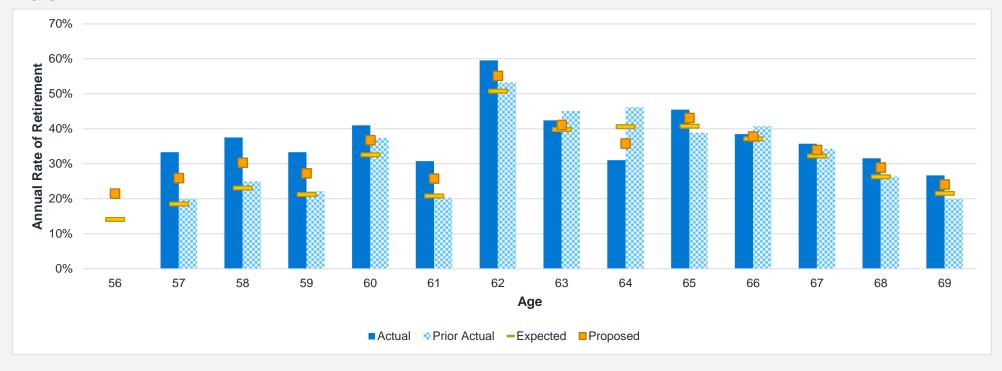
General Female



Expected Actual Proposed Count (Ages 56-74) 1,028 1,262 1,146 Actual / Expected 123% 110%



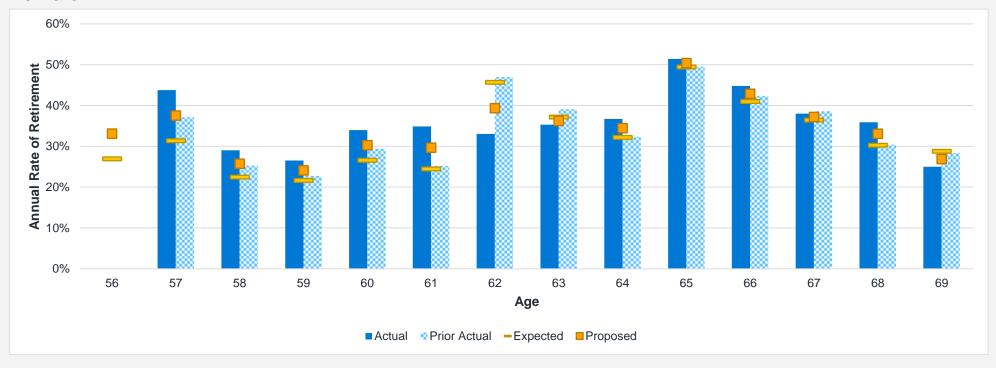
Teacher Male



	Expected	Actual	Proposed
Count (Ages 56-69)	163	193	178
Actual / Expected	119%		108%



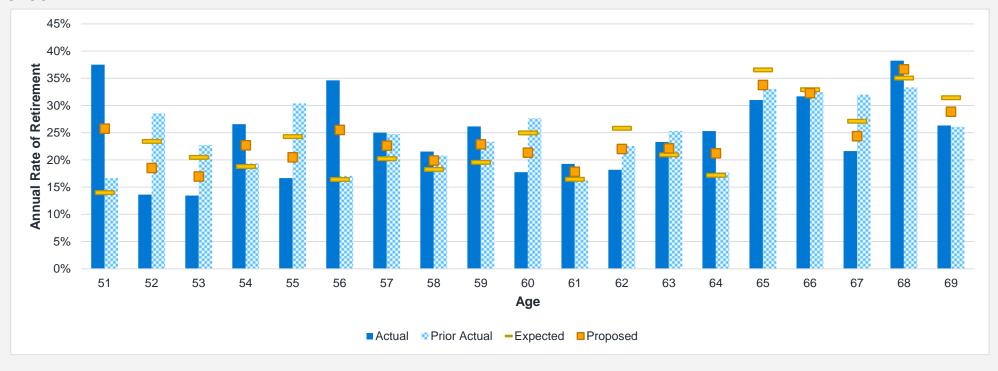
Teacher Female



Expected Actual Proposed Count (Ages 56-69) 407 440 424 Actual / Expected 108% 104%



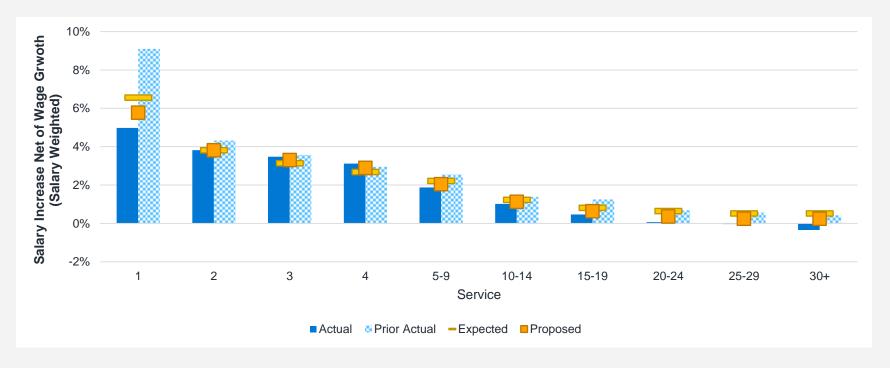
Fire & Police



	Expected	Actual	Proposed
Count (Ages 51-69)	301	314	308
Actual / Expected	104%		102%



General Male

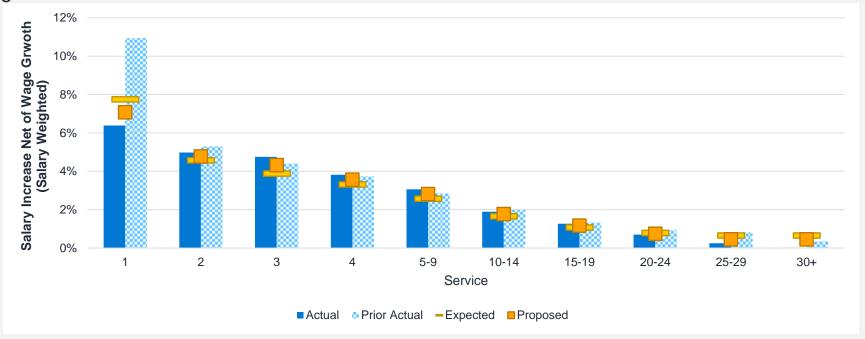


Total Salary Increase Net of Wage Growth

		CIOWUI	
	Expected	Actual	Proposed
(Service 1-29)	66,486,397	56,796,964	61,641,182
Actual / Expected	85%		92%



General Female

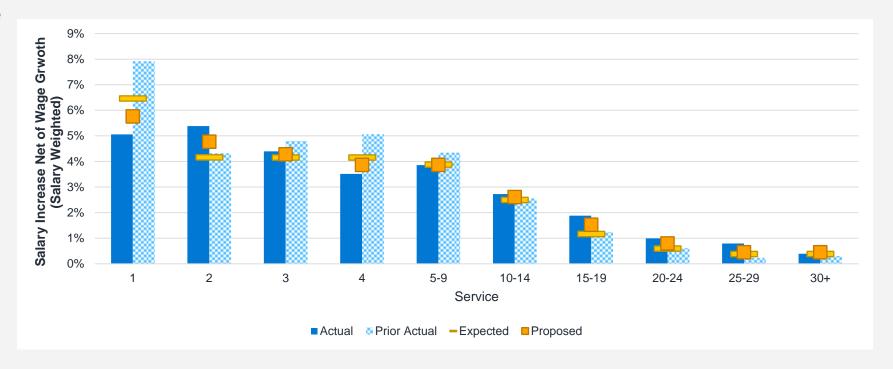


Total Salary Increase Net of Wage Growth

Expected	Actual	Proposed
95,169,996	101,288,418	98,229,800
106%		103%
	95,169,996	95,169,996 101,288,418



Teacher Male

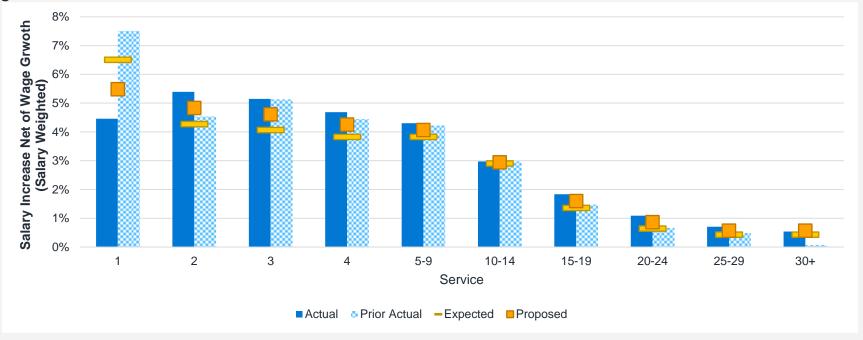


Total Salary Increase Net of Wage Growth

	0.000				
	Expected	Actual	Proposed		
(Service 1-29)	28,808,439	31,753,784	30,127,406		
Actual / Expected	110%		105%		



Teacher Female

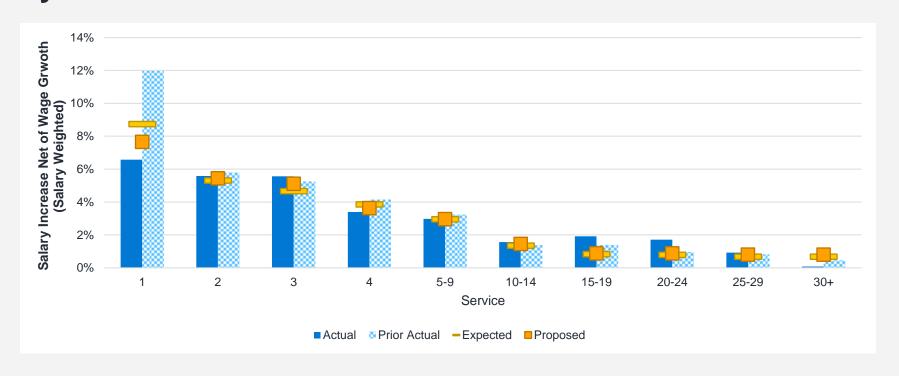


Total Salary Increase Net of Wage Growth

Expected	Actual	Proposed	
83,344,329	93,306,363	88,325,310	
112%		106%	
	83,344,329	83,344,329 93,306,363	83,344,329 93,306,363 88,325,310



Fire & Police

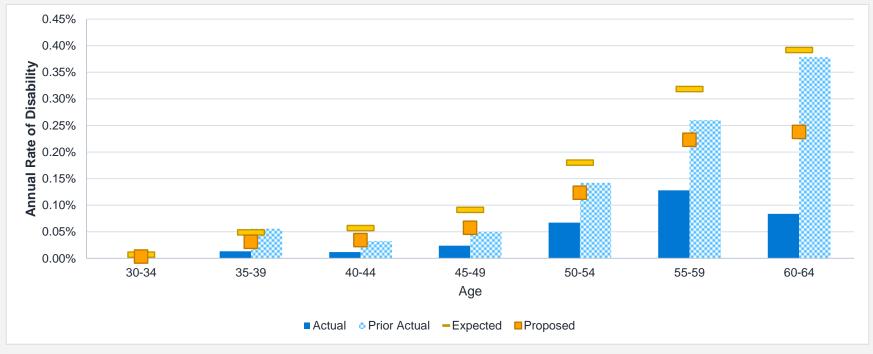


Total Salary Increase Net of Wage Growth

	Growth				
	Expected	Actual	Proposed		
(Service 1-29)	51,886,529	57,646,476	51,993,471		
Actual / Expected	111%		111%		



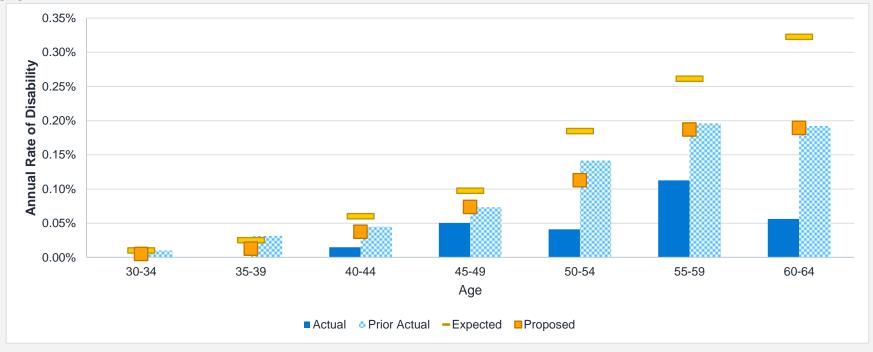
General Male



Expected Actual Proposed Disabilities 96 29 62 Actual / Expected 30% 47%



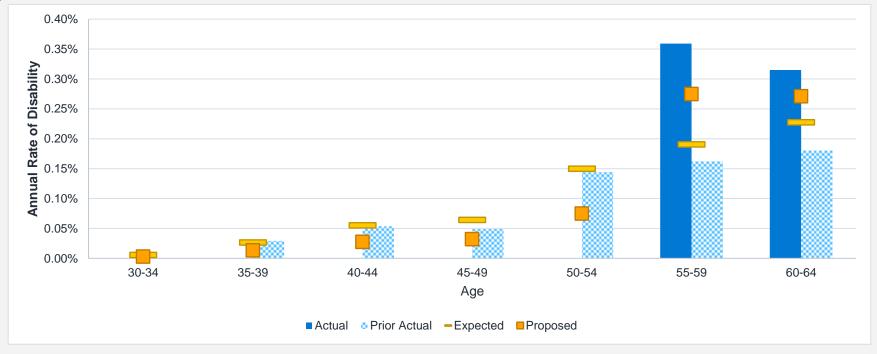
General Female



	Expected	Actual		Proposed
Disabilities	133		39	86
Actual / Expected	29%			45%



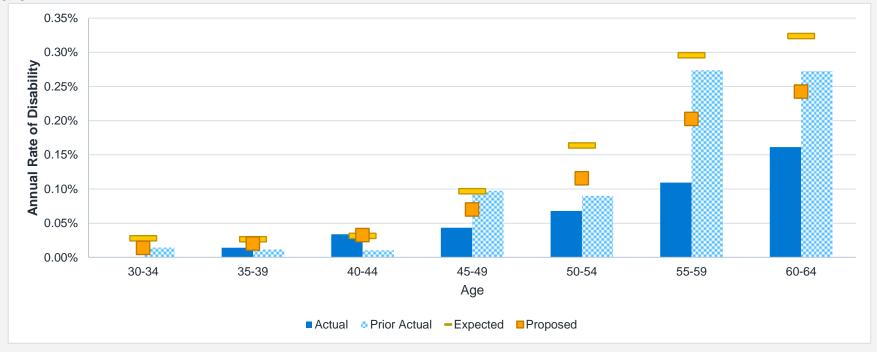
Teacher Male



	Expected	Actual		Proposed
Disabilities	17		13	15
Actual / Expected	76%			87%



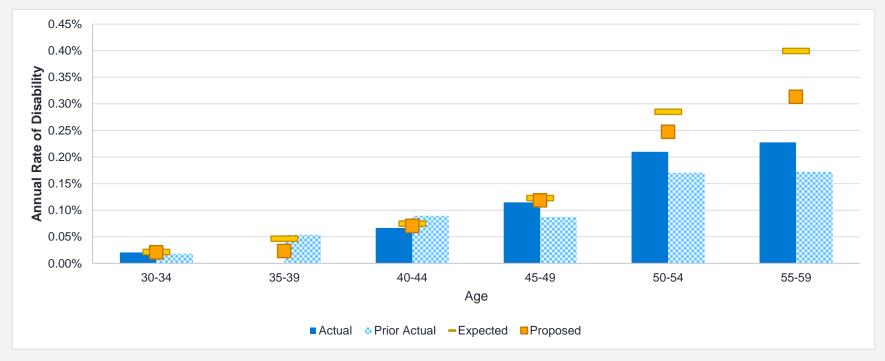
Teacher Female



	Expected	Actual		Proposed
Disabilities	62		27	45
Actual / Expected	44%			60%



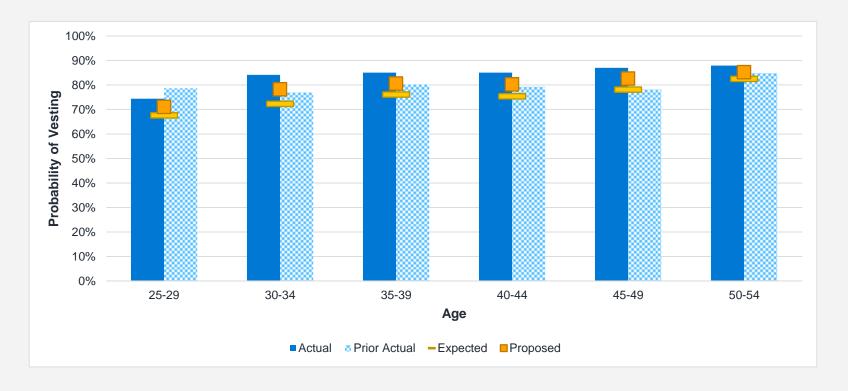
Fire & Police



	Expected	Actual		Proposed
Disabilities	31		21	26
Actual / Expected	68%			81%



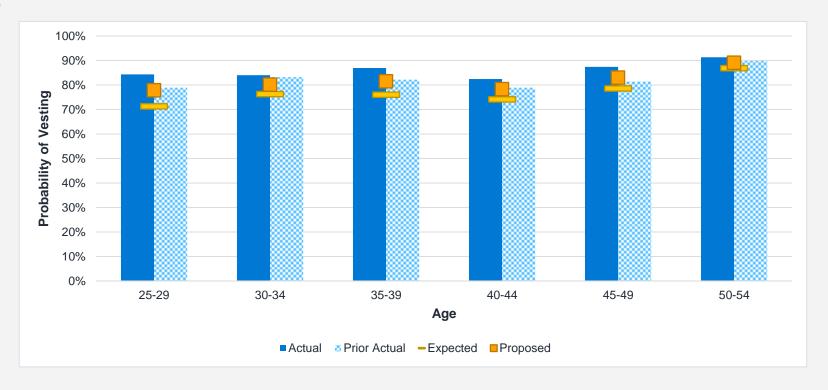
General Male



Expected Actual Proposed
Count 1,269 1,415 1,341
Actual / Expected 111% 106%



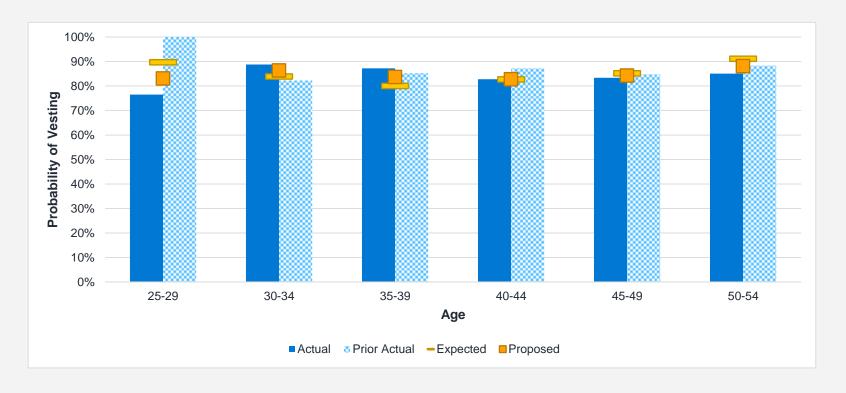
General Female



Expected Actual Proposed
Count 2,286 2,527 2,406
Actual / Expected 111% 105%



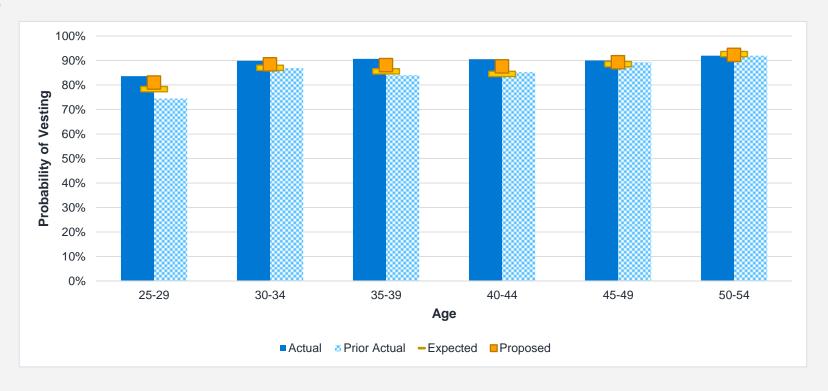
Teacher Male



	Expected	Actual	Proposed
Count	393	395	394
Actual / Expected	101%		100%



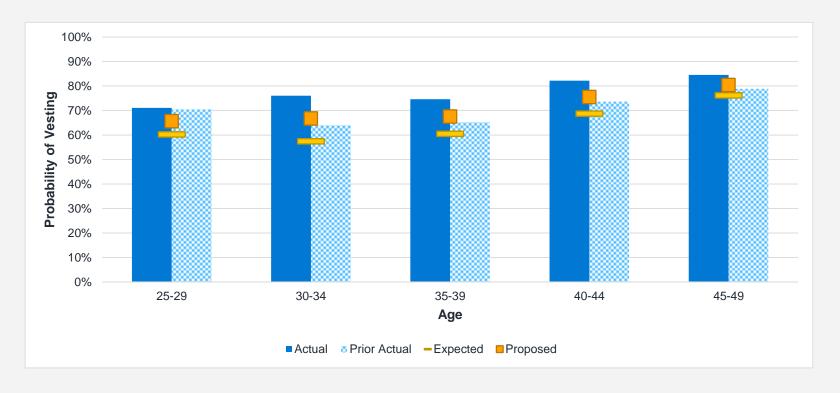
Teacher Female



	Expected	Actual	Proposed
Count	1,326	1,377	1,352
Actual / Expected	104%		102%



Fire & Police



	Expected	Actual	Proposed
Count	473	576	525
Actual / Expected	122%		110%





April 22, 2025

TO: Retirement Board Trustees FROM: Mike Hampton, Director

SUBJECT: Experience Study – Economic Assumption Setting

Summary:

At the March Board meeting, Milliman provided an introduction to economic assumptions. The two minor economic assumptions were *administrative expense load* and *interest on member contributions*. The two major economic assumptions were *wage inflation* and *investment return*. The Board requested that the actuary and staff provide three scenarios for review by the Board at the April board meeting.

Key Discussion:

Administrative Expense Load:

- The current 0.05% assumption is supported by experience.
- Recommend no change.

Interest on Member Contributions:

- Regular interest, as defined in IDAPA 59.01.01.350, shall be the greater of 90% of the rate of return on the PERSI fund net of all expenses or 1%.
- Assumption is calculated utilizing the investment return and standard deviation selected.

Wage Inflation:

• Wage inflation assumption of 3.05% has trended behind experience over the recent study period. The last four - five year period averages:

0	2005-2009	3.1%
0	2010-2014	0.7%
0	2015-2019	2.8%
0	2019-2024	4.6%

Investment Return:

- Three scenarios chosen for illustrative purposes to show the impact of changes:
 - \circ Current 6.30%. Impact if no change is made to current assumptions.
 - \circ Scenario A 6.50%. Impact if incremental change made to current assumptions.
 - \circ Scenario B 6.70%. Impact if more incremental change made to current assumptions.

Action:

Milliman has recommended no change to the Administrative Expense Load. Staff recommends the Board adopt this recommendation.

Final economic assumptions for Wage Inflation and Investment Return will be recommended for adoption by the Board at the May board meeting.



Date: April 22nd, 2025

TO: PERSI Retirement Board

Governor Brad Little

FROM: Mike Anderson

Financial Executive Officer

Jeff Cilek, Chairman Joshua Whitworth Lori Wolff Park Price Darin DeAngeli

Retirement Board

Executive Director Michael L. Hampton

PHONES
Answer Center 208-334-3365
FAX 208-334-3805

Toll Free Answer Center 1-800-451-8228 Employer Line 1-866-887-9525

> MAILING ADDRESS P.O. Box 83720 Boise ID 83720-0078

BOISE Office Location Address 607 North 8th Street Boise ID 83702-5518

POCATELLO
Office Location Address
1246 Yellowstone Ave – Ste.A5
Pocatello ID 83201

COEUR D'ALENE Office Location Address 2005 Ironwood Pkwy #226 Coeur d' Alene ID 83814-2680

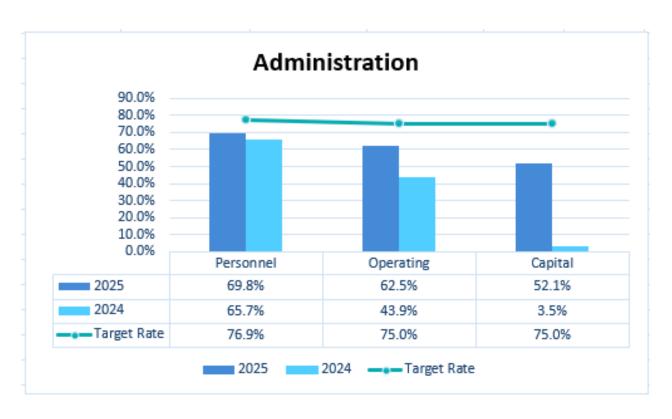
> Choice Plan Recordkeeper 1-866-437-3774

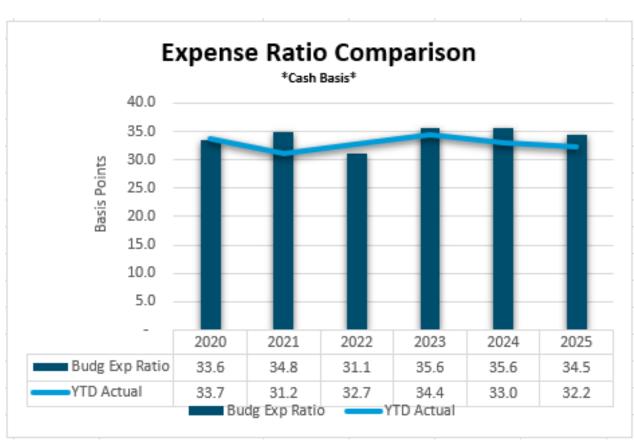
> > www.persi.idaho.gov

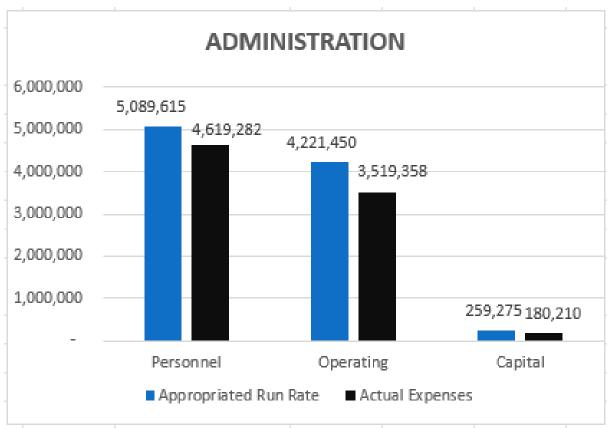
Equal Opportunity Employer

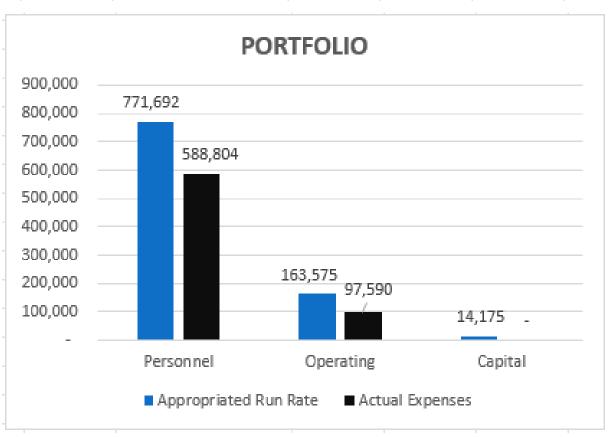
SUBJECT: UPDATE ON FISCAL ISSUES

- <u>2025 EXPENSE REPORTS:</u> PERSI's year-to-date expense reports for the Administrative and Portfolio funds are enclosed.
 - Administration: The report is for FY2025 expenditures as of the end of February. Personnel expenses are below the target rate of 76.9%. Operating and Capital Outlay expenses are both below the target rate of 75.0%.
 - Our year-to-date expense ratio is 32.2 basis points of projected average net assets compared to the budgeted projection of 34.5 basis points. Both the budget and actual are below the 50-basis point target ratio. The total budgeted for FY 2025 assumed asset growth of 6.3% net. The reports are on a cash basis and, therefore, will vary from the expenses reported in the accrual-based financial statements.
- MONTHLY OUT OF STATE TRAVEL REPORT: There was no travel for the month of March. So, the monthly travel report is not included in the board report. Please let me know if you have any questions.









			PUBLIC EMPLO	YEE RETIREMEN	NT SYSTEM				
		FY	2025 CASH BASIS	ADMINISTRA	TION EXPENSE	s			
SUMMARY REPORT							TARGET:		75.0%
ADMINISTRATIVE BUD	OGET								
MARCH 31, 2025									
							FY 2025	Current	Actual
	FY 2024	FY 2024	FY 2025	PRIOR			Total	Spending	as % of
	BUDGETED	ACTUAL	BUDGETED	MONTHS	FEBRUARY	MARCH	Expenses	Balance	Budget
PERSONNEL	6,478,600	5,667,669	6,616,500	3,668,656	472,371	478,256	4,619,282	1,997,218	69.8%
OPERATING	5,652,900	4,673,300	5,628,600	2,839,522	311,138	368,700	3,519,358	2,109,242	62.5%
CAPITAL	200,500	154,496	345,700	171,250	-	8,960	180,210	165,490	52.1%
TOTAL	12,332,000	10,495,465	12,590,800	6,679,428	783,509	855,916	8,318,850	4,271,950	66.1%

		PUBLIC EMPLOY	EE RETIREMENT S	YSTEM				
		FY 2025 CASH BAS	SIS PORTFOLIO EX	PENSES				
SUMMARY REPORT - PORTFOLIO							TARGET:	75.0%
MARCH 31, 2025								
							FY 2025	Actual
INVESTMENTS	FY 2024	FY 2024	FY 2025	PRIOR			Total	as % of
	BUDGETED	ACTUAL	BUDGETED	MONTHS	FEBRUARY	MARCH	Expenses	Budget
STAFF EXPENSE								
Personnel	991,900	751,089	1,003,200	467,402	60,958	60,444	588,804	58.7%
Operations	224,600	143,759	218,100	90,108	3,836	3,646	97,590	44.7%
Capital Outlay	18,900	24,734	18,900	-	-	-	-	0.0%

PUBLIC EMPLOYEE RETIREMENT SYSTEM **FY 2025 CASH BASIS ADMINISTRATION EXPENSES**

SUMMARY REPORT ADMINISTRATIVE BUDGET MARCH 31, 2025

TARGET:

=	FY 2024 BUDGETED	FY 2024 ACTUAL	FY 2025 BUDGETED	PRIOR MONTHS	FEBRUARY	MARCH	FY 2025 Total Expenses	Current Spending Balance	Actual as % of Budget
PERSONNEL	6,478,600	5,667,669	6,616,500	3,668,656	472,371	478,256	4,619,282	1,997,218	69.8%
OPERATING	5,652,900	4,673,300	5,628,600	2,839,522	311,138	368,700	3,519,358	2,109,242	62.5%
CAPITAL	200,500	154,496	345,700	171,250	-	8,960	180,210	165,490	52.1%
_									
TOTAL	12,332,000	10,495,465	12,590,800	6,679,428	783,509	855,916	8,318,850	4,271,950	66.1%

ADMINISTRATIVE BUDGET By Cost Center and Account Category MARCH 31, 2025

DESCRIPTION	FV 2024	FV 2024	FV 2025	DDIOD			FY 2025	Current	Actual
DESCRIPTION	FY 2024 BUDGETED	FY 2024 ACTUAL	FY 2025 BUDGETED	PRIOR MONTHS	FEBRUARY	MARCH	Total Expenses	Spending Balance	as % of Budget
_	DODGETED	ACTOAL	DODGETED	WIGHTIS	TEDROART	WARCH	Ехрепзез	Balance	Dauget
ADMINISTRATION									
Personnel	740,170	620,492	759,100	382,953	48,549	48,673	480,175	278,925	63.3%
Operating	157,600	106,937	162,300	116,028	17,563	5,654	139,246	23,054	85.8%
Capital	-	-	27,000	39,988	-	8,960	48,948	(21,948)	181.3%
BOARD			-						
Personnel	10,985	5,493	11,300	2,047	215	323	2,586	8,714	22.9%
Operating Capital	21,300	59,409	23,900	14,035	-	3,639	17,674	6,226	73.9% 0.0%
•	-	-	-	-	-	-	-	-	0.076
LEGAL Personnel	_	_	-	_	_	_	_	_	0.0%
Operating	129,575	147,736	148,500	131,512	952	-	132,464	16,036	89.2%
Capital	, -	-	-	-	-	-	-	, -	0.0%
QUALITY ASSURANCE			-						
Personnel	503,313	538,359	518,400	272,180	41,058	47,123	360,361	158,039	69.5%
Operating Capital	5,900	18,321	15,900	1,456	8,665	1,921	12,041	3,859	75.7% 0.0%
•	_	_	-	_	_	-	-	-	0.076
FISCAL ADMINISTRATION Personnel	928,982	919,564	950,300	552,400	78,134	72,498	703,032	247,268	74.0%
Operating	108,500	67,091	108,500	89,417	707	340	90,464	18,036	83.4%
Capital	-	-	-	-	-	-	-	-	0.0%
EMPLOYER SERVICE CENTE			-						
Personnel	306,266	266,777	305,600	174,290	18,360	20,422	213,071	92,529	69.7%
Operating Capital	2,700	53,188	2,700	1,128	132	207	1,467	1,233	54.3% 0.0%
Capital	-	-	-	-	-	-	-	-	0.0%

75.0%

	ATIVE BUDGET er and Acco 2025	(Cont.) FY 2024 BUDGETED	FY 2024 ACTUAL	FY 2025 BUDGETED	PRIOR MONTHS	FEBRUARY	MARCH	FY 2025 Total	Current Spending Balance	Actual as % of Budget
VERHEAD	_									
	Personnel Operating Capital	90,956 640,605 -	17,545 586,693 20,635	33,700 660,900 -	8,783 411,716 -	14,000 -	55,283 -	8,783 480,999 -	24,917 179,901 -	26.1% 72.8% 0.0%
T - ADMINIS				-						
	Personnel Operating Capital	900,469 52,000 -	937,887 53,646 -	948,000 52,000 -	575,780 14,013 -	73,737 726 -	73,682 2,534 -	723,199 17,273 -	224,801 34,727 -	76.3% 33.2% 0.0%
T - SYSTEM I	MAINTENANCE	<u> </u>		-						
	Personnel Operating Capital	965,850 200,500	848,476 118,859	858,800 263,700	392,096 76,353	- 27,475 -	72,581 -	492,152 76,353	366,648 187,347	0.0% 57.3% 29.0%
T - PROJECT:	S			-						
	Personnel Operating Capital	3,000,000 -	- 2,272,945 -	3,000,000	- 1,359,208 -	- 181,400 -	- 191,720 -	- 1,732,328 -	- 1,267,672 -	0.0% 57.7% 0.0%
MEMBER SEI	RVICES			-						
	Personnel Operating Capital	434,558 17,900 -	298,170 44,578 -	533,800 35,900 -	316,432 19,053 -	40,734 4,251 -	35,803 4,381 -	392,968 27,685 -	140,832 8,215 -	73.6% 77.1% 0.0%
DISABILITY A	SSESSMENT Personnel	-	-		-	-	_	-	-	0.0%
	Operating Capital	227,000 -	150,221 -	187,000	98,885 -	9,020 -	14,000	121,905 -	65,095 -	65.2% 0.0%
FIELD SERVIC		120 245	124 724	135 100	02.055	11 170	11 172	105 200	20.000	77 00/
	Personnel Operating Capital	130,215 30,350 -	134,734 32,148 200	135,100 48,500 -	82,955 26,812 -	11,173 644 -	11,173 1,666 -	105,300 29,122 -	29,800 19,378 -	77.9% 60.0% 0.0%
FIELD SERVIC		124 101	12/ 150	127 200	72 705	11 070	10 450	04 222	42.000	CO 70/
	Personnel Operating Capital	134,191 37,220 -	134,159 42,298 14,582	137,200 73,200 -	72,705 46,092 -	11,076 1,483 -	10,450 3,713 -	94,232 51,287 -	42,968 21,913 -	68.7% 70.1% 0.0%
PERSI RETIRE	MENT CENTER	R 471,986	196,774	436 100	170 542	22 (22	25 240	227 265	200 725	52.1%
	Personnel Operating Capital	471,986 35,950 -	4,149 -	436,100 8,000 -	179,513 1,899 -	22,633 359 -	25,219 288 -	227,365 2,546 -	208,735 5,454 -	31.8% 0.0%
PERSI ANSW	ER CENTER Personnel	541,449	319,504	388,800	162,571	20,992	25,804	209,366	179,434	53.8%
	Operating Capital	36,400	4,886	36,400 55,000	14,263 54,909	350 -	524	15,136 54,909	21,264 91	41.6% 99.8%
PERSI PROCE	SSING CENTER		202.042	-	220.040	24 240	20.205	200 402	02.010	76.40/
	Personnel Operating Capital	250,858 12,600 -	393,942 12,136 -	393,400 12,600 -	238,849 4,142 -	31,348 8,045 -	29,285 2,541 -	299,482 14,727 -	93,918 (2,127) -	76.1% 116.9% 0.0%
IMAGING				-						
	Personnel	68,196	68,237	70,200	42,490	5,451	5,451	53,392	16,808	76.1%
	Operating Capital	1,700	746 -	1,700	752 -	- -	890	1,642	58 -	96.6% 0.0%
TDAINING	Capital	_	-	-	-	-	-		-	0.070
TRAINING	Personnel	628,311	547,255	643,400	387,970	40,981	44,418	473,369	170,031	73.6%
	Operating	62,950	78,819	91,900	57,390	2,877	6,242	66,510	25,390	72.4%
	Capital	-	220	-	-	- -	-	-	-	0.0%
COMMUNICA	ATIONS			-						
	Personnel	86,988	91,200	104,600	60,819	7,746	7,746	76,312	28,288	73.0%
	Operating Capital	91,900	86,207	86,000	31,524	32,438	523	64,485	21,515	75.0% 0.0%
C DI 441 4 = 1	Capital	-	-	-	-	-	-	-	-	0.0%
JC PLAN ADI	MINISTRATION Personnel	250,707	177,577	- 247,500	155,919	20,185	20,185	196,289	51,211	79.3%
	Operating	14,900	2,670	13,900	8,101	20,163 52	52	8,205	5,695	79.5% 59.0%
	Capital	-	-,	-	-	-	-	-	-	0.0%
TOTAL								<u> </u>		
	PERSONNEL	6,478,600	5,667,669	6,616,500	3,668,656	472,371	478,256	4,619,282	1,997,218	69.8%
(OPERATING CAPITAL	5,652,900 200,500	4,673,300 154,496	5,628,600 345,700	2,839,522 171,250	311,138	368,700 8,960	3,519,358 180,210	2,109,242 165,490	62.5% 52.1%
				30L 100 L	1 /1 15/		., ., .,		ANN	L 1 1 U/

PUBLIC EMPLOYEE RETIREMENT SYSTEM FY 2025 CASH BASIS PORTFOLIO EXPENSES

SUMMARY REPORT - PORTFOLIO	TARGET:	75.0%
MARCH 31, 2025		

WARCH 31, 2023						Í	EV 2025	A
INVESTMENTS	FY 2024 BUDGETED	FY 2024 ACTUAL	FY 2025 BUDGETED	PRIOR MONTHS	FEBRUARY	MARCH	FY 2025 Total <u>Expenses</u>	Actual as % of <u>Budget</u>
MANAGEMENT FEES	62,023,608	57,876,903	68,558,103	36,755,538	7,146,607	3,537,042	47,439,187	69.2%
CONSULTANTS	1,110,000	1,106,103	1,500,000	780,405	27,779	87,725	895,909	59.7%
CUSTODIAL SERVICES	3,516,000	3,108,881	3,000,000	1,486,395	163,803	169,162	1,819,360	60.6%
REPORTING SERVICES 1. Investment Related 2. Non-Investment Related	121,000 550,000	117,635 597,246	240,000 710,000	77,049 328,614	20,653 21,417	- 69,694	97,702 419,725	40.7% 59.1%
LEGAL	805,000	786,738	1,100,000	446,101	127,226	168,203	741,530	67.4%
STAFF EXPENSE	1,235,400	919,582	1,240,200	557,510	64,794	64,090	686,393	55.3%
ENCUMBRANCES*	-	-	-	-	-	-	-	
TOTAL EXPENDITURES*	69,361,008	64,513,088	76,348,303	40,431,613	7,572,279	4,095,914	52,099,806	68.2%
ADMINISTRATION	12,708,870	10,495,464	12,590,800	6,679,425	783,509	855,916	8,318,850	66.1%
YTD EXPENDITURES INCLUSIVE	82,069,878	75,008,552	88,939,103	47,111,038	8,355,789	4,951,830	60,418,656	67.9%
		FY 2024 Actual	FY 2025 Budgeted					
Investment Related Services Non-Investement Related Services Judges Retirement Fund PERSI Administration ¹		63,915,842 597,246 437,195 10,495,464	75,638,303 710,000 467,100 12,590,800					
1) TOTAL PERSI COSTS		75,445,747	89,406,203					
2) ESTIMATED NET AVERAGE ASSETS		24,142,867,889	25,878,647,171					
3) RATIO OF COSTS TO NET ASSETS		0.312%	0.345%					
Investment Expense Non-Investment Contracted Services Judges Retirement Fund PERSI Administration		0.265% 0.002% 0.002% 0.043%	0.292% 0.003% 0.002% 0.049%					
4) BUDGETED EXPENSE RATIO			34.5					
5) ACTUAL EXPENSE RATIO ²			32.2					

PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO DETAIL REPORT

MARCH 31, 2025

TARGET: 75.0%

							FY 2025	Actual
DESCRIPTION	FY 2024	FY 2024	FY 2025	PRIOR			Total	as % of
	BUDGETED	ACTUAL	BUDGETED	MONTHS	FEBRUARY	MARCH	<u>Expenses</u>	<u>Budget</u>
MANAGEMENT FEES								
Equity - Domestic	9,788,143	10,548,941	11,213,525	8,216,036	1,209,353	-	9,425,389	84.1%
Equity - International	7,716,570	3,030,958	8,155,000	4,354,915	2,047,607	208,432	6,610,955	81.1%
Fixed Income	2,843,895	2,765,360	2,939,577	1,832,136	450,200	-	2,282,336	77.6%
Real Estate	16,500,000	14,434,551	17,250,000	7,393,163	-	2,991,546	10,384,709	60.2%
ldaho Mortgage Program	3,675,000	3,773,228	4,500,000	2,270,730	328,302	329,564	2,928,596	65.1%
Equity Global	21,500,000	23,323,865	24,500,000	12,688,558	3,111,145	7,500	15,807,203	64.5%
CONSULTANTS								
Investment Consultants	710,000	616,648	760,000	443,368	-	22,500	465,868	61.3%
Advisors	380,000	345,855	380,000	185,260	27,779	7,720	220,758	58.1%
Other Consultants	20,000	143,600	360,000	151,777	-	57,505	209,282	58.1%
CUSTODIAL SERVICES								
Trust/Custody	3,000,000	2,635,150	3,000,000	1,287,656	163,803	169,162	1,620,621	54.0%
Clearwater Analytics, LLC	516,000	473,731	-	198,739	-	-	198,739	3
•	3_3,333							
REPORTING SERVICES								
1. Auditors Fees	400.000		4.50.000					
a. Annual Audit	100,000	151,367	160,000	34,928	-	3,033	37,961	23.7%
2. Actuarial Fees								
Milliman USA	250,000	262,546	350,000	177,019	21,417	49,994	248,430	71.0%
Cavanaugh MacDonald	200,000	183,333	200,000	116,667	-	16,667	133,333	66.7%
3. Bloomberg LP & Other	121,000	117,635	240,000	77,049	20,653	-	97,702	40.7%
LEGAL								
1. Legal Fees								
Legal Advice - Other	5,000	355,790	400,000	144,194	42,447	15,417	202,057	50.5%
Legal Advice - Priv Equity	600,000	409,873	600,000	300,683	84,779	100,523	485,985	81.0%
Legal Advice - Fiduciary/Liability	200,000	21,075	100,000	1,225	-	52,263	53,488	53.5%
	,	•	,	,		,	,	
STAFF EXPENSE	201.000	754.000	4 000 000	467.402	60.050	60.444	500.004	FO 70/
Personnel	991,900	751,089	1,003,200	467,402	60,958	60,444	588,804	58.7%
Operations	224,600	143,759	218,100	90,108	3,836	3,646	97,590	44.7%
Capital Outlay	18,900	24,734	18,900	-	-	-	-	0.0%
Encumbrances			-			-		0.0%
Total Monthly Expenditures	69,361,008	64,513,088	76,348,303	40,431,613	7,572,279	4,095,914	52,099,806	68.2%
JUDGES RETIREMENT FUND								
Invest, Mgmt, Consulting, Custody, Reporting	325,000	320,000	330,000	191,771	36,038	18,558	246,367	74.7%
Accounting, Auditing	11,000	15,140	15,000	6,860	-	1,517	8,377	55.8%
Other Professional Services	-		-	-	-	-	-	0.0%
Actuary	30,000	36,521	40,000	30,940	750	-	31,690	79.2%
Legal	2,000	2,000	4,000	2,189	623	824	3,636	90.9%
Administration	76,900	63,534	78,100	47,090	3,018	-	50,108	64.2%
Admin Rule		-	-	392	-	-	392	0.0%
	444,900	437,195	467,100	279,242	40,429	20,899	340,571	72.9%

2025 LEGISLATIVE UPDATE OF PERSI STATUES AND RULES

Date: April 17, 2025

To: PERSI Staff

From: Cheryl George, General Counsel

The following summary details statutes and rules approved during the 2025 session that change PERSI statutes/rules or impact PERSI. Effective dates are noted next to each.

STATUTORY SUMMARY

§ 67-3701 et seq. Idaho Code Clean-up Act

HB 0014

- On or before September 1, 2025, all state agencies shall: (a) Review their enabling statutes, associated code sections, and any code sections that they enforce; and
- (b) Report to the legislature for consideration any code chapters, sections, or subsections that are deemed obsolete, outdated, or unnecessary along with the reason why.
- The report shall be delivered to the Idaho legislative services office through an online web portal.
- an agency may include in its report Information regarding additional code chapters, sections, or subsections that are not within its purview but that are identified by such agency as obsolete, outdated, or unnecessary and
- information regarding code chapters, sections, or subsections that remain necessary for public health, safety, and welfare but that could be made more concise through legislative action.
- Effective Date: February 7, 2025.

§ 67-827A POWERS AND DUTIES (of Offices of Information Technology Services)

HB 0035

- Ensure that all state agencies implement and maintain cybersecurity best practices.
- Require all state agencies to implement and use multifactor identification to access information technology devices or services, including but not limited to local and remote network access to any email accounts, cloud storage accounts, web applications, networks, databases, or servers.
- o Effective Date: July 1, 2025.

§ 59-1356(8) REEMPLOYMENT OF RETIRED MEMBERS (Bona-fide Volunteer)

HB 0055

 A retired member may provide services as a bona fide volunteer for an employer, after retirement and such services shall not be considered reemployment of a retired member.

- A "bona fide volunteer" means an individual who performs service without promise, expectation, or receipt of any type of compensation, who is not performing a kind of work or service that would normally be compensated by an employer, and who is not classifying employment conduct as volunteering to avoid being considered an employee.
- Any retirement allowance payments received by a retired member who is not a bona fide volunteer shall be repaid to the system, such retired member's retirement shall be negated, and the provisions of subsection (1) of this 59-1356 shall apply.
- o Effective Date: July 1, 2025.

§ 74-204 NOTICE OF MEETINGS - AGENDAS

• HB 0172

- Multiple agenda items may be grouped together and voted upon as a single action item (Consent Agenda), provided the agenda items are not ordinances, fee resolutions, or items requiring more than a simple majority of the members present.
- If any member of the governing body requests an item or items be removed from the consent agenda, such item or items shall, prior to the vote on the consent agenda, be removed from the consent agenda and considered as a separate action for discussion and vote.
- Identifying an item as an action item on the agenda does not require a vote to be taken on that item.
- Effective Date: July 1, 2025.

§ 67-466 REPORTS TO TH LEGISLATURE AND 67-705 ELECTRONIC SUBMISSION OF REPORTS TO THE LEGISLATURE

HB 0215

- Reports required to be submitted to the legislature or committee shall, in addition to any other requirements, also be submitted to the legislative services office electronically.
- o If no due date is required, reports shall be delivered by December 15th of any year when such report is due.
- o Effective Date: July 1, 2025

§ 67-2541 STATE WEBSITES TO INCLUDE RULE AND POLICY DOCUMENTS.

H 0222

- Each department of the state of Idaho, agency, and entity of the executive department shall, if maintaining a website, include on such website any administrative rules or policies.
- The content required to be published pursuant to this section shall be reviewed and updated at least annually to ensure that it remains current and accurate.
- Each website shall include the following statement: "Agency policy statements and guidance documents shall not have the force and effect of law pursuant to section 67-5207A, Idaho Code."
- o Effective Date: July 1, 2025.

§ 59-502 SALARIES OF JUDGES

H 0322

- The salary of the justices of the supreme court was changed from one hundred sixty-nine thousand five hundred eight dollars (\$169,508) to one hundred eighty-six thousand five hundred eight dollars (\$186,508).
- The court of appeals judges receive \$8,000 less than the salary of supreme court justices.
- The district judges receive \$6,000 less than the salary of the court of appeals judges.
- The magistrate judges receive \$8,000 less than the salary of the district judges.
- Since all salaries of judges are dependent on the supreme court justices, the only actual change in the statute was for the salary of the supreme court justices.
- o Effective Date: July 1, 2025.

IDAPA SUMMARY

There were no changes to PERSI rules for 2025.