



# PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO

STRATEGIC PLAN  
2012-2015

## Message from the Director

PERSI has a rich history of successfully responding to new challenges, opportunities, and changes in its environment. During fiscal year 2012, we will continue a forward momentum that balances our ongoing mission, vision and core values with new programs and strategies to address current pension issues.



PERSI's strategic plan serves as the cornerstone document that guides all operational planning, resource allocation, and new initiatives. With initial funding approved for a new pension administration system, we will soon see far-reaching changes to how we conduct business. Capabilities will be extended, processes streamlined, and the critical information exchange and transmittal processing for employers will be vastly improved. Up-front planning is the key to a successful implementation. That's why a data profiling and cleansing project to correct any inaccuracies in our records is already underway. This project will ensure the quality of our records when our new system is launched in 2014.

Besides the complexities associated with implementing a new system, PERSI faces other challenges. Public pensions are a step closer to change triggered by the recent financial crisis commonly referred to as the "Great Recession." Several independent organizations continue to report Idaho as one of the top public pension plans in the nation. Even so, we have an obligation to continually monitor pension industry activities to stay ahead of the issues so we can objectively respond to information requests and keep members and officials informed.

Despite education efforts during the past year, there is still much to be done. That's why I will once again meet with state lawmakers, employers, members, and constituency groups this summer to educate them about PERSI's structure and help them understand how and why we are different from those systems still struggling to recover from losses sustained during the 2008-2009 economic downturn. As John F. Kennedy once said, "In a time of turbulence and change, it is truer than ever that knowledge is power." I would like to empower the Idaho Legislature and PERSI members, employers and retirees by increasing their knowledge of PERSI and helping them understand why our system continues to operate as a top performer. I would also like to provide balance and objectivity to the sensational media reports and dispel the assumption all pension systems are the same.

Whether it's implementing a new system or staying abreast of pension issues, the goal today is the same as when PERSI was founded in 1963...to help our members achieve a secure retirement. This strategic plan is the roadmap we will use to ensure effective and efficient operations in the coming years and to help us successfully navigate an ever-changing and more complicated pension environment.

A handwritten signature in black ink, appearing to read "Donald D. Drum". The signature is fluid and cursive, with a long horizontal line extending to the right.

Donald D. Drum  
Executive Director

## Introduction

The overarching goal of strategic planning was to create a document that would guide the future success of the Public Employee Retirement System of Idaho (PERSI). The resulting plan is intended to be both prescriptive of specific actions and adaptive to changing circumstances.

Our approach to strategic planning was to first develop an understanding of what our world will look like in the coming five to ten years. We looked at demographic trends in our membership, technological changes in the business environment around us, and changes in the local, national and global economies. From this we envisioned the services our members would want and need and predicted how the services would be delivered. To complete our vision, we defined what our organization would need to look like to provide the services through various channels, in a highly professional manner, while maintaining appropriate security and fiduciary responsibility.

Once we were satisfied with our vision of the future organization, we compared it to our current organization and determined the changes we would need to implement to become the vision. This became the foundation of our strategic plan, which in our minds is much like a map, showing us where we are coming from and where we are going. The strategic plan is our navigational guide for successfully completing our journey to the future.

In modern navigation, a global positioning system (GPS) is the primary instrument for guiding a traveler on a journey. A GPS helps you determine where you are, what direction you are going, and the course to follow to your destination. The PERSI Strategic Planning Committee adopted this concept in the development of the agency's strategic plan, and accordingly named the plan *GPS: Guide to PERSI Success*.

The GPS will align and coordinate all PERSI activities and make it possible to deliver the highest level of professional service in a rapidly-changing world.

## HISTORICAL OVERVIEW

The Public Employee Retirement System of Idaho (PERSI) was created in 1963 by the Idaho Legislature with funding effective July 1, 1965. Since that time, PERSI has provided a Defined Benefit (DB) plan designed to provide secure, long-term retirement benefits for career public service employees. PERSI became the plan administrator for a 401(k) Defined Contribution program in 1995 and immediately began offering it to employees of the State of Idaho as a supplement to the DB plan. In 2001, the original plan evolved into what is today known as the Choice 401(k) Plan.

## ORGANIZATION AND GOVERNANCE

### Retirement Board

PERSI is directed by a five-member Retirement Board. The Trustees are appointed by the Governor of the State of Idaho for 5-year terms. These appointments are subject to legislative confirmation. State law requires that two members of the Board be active PERSI members with at least 10 years of service.

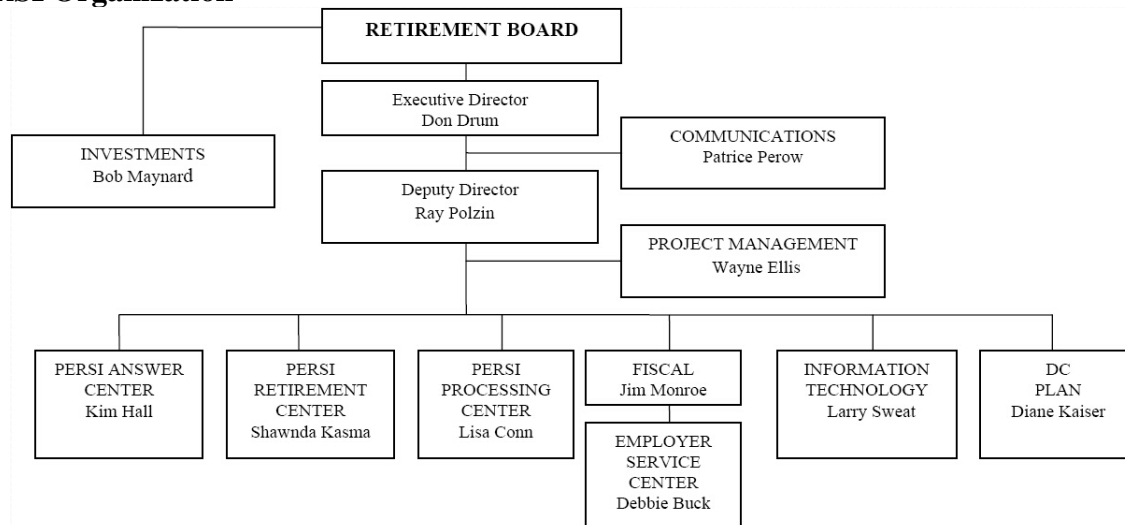
Current Board members:

<b>Jody B. Olson, Chairman</b>	Term expires July 1, 2012
<b>J. Kirk Sullivan</b>	Term expires July 1, 2011
<b>Jeff Cilek</b>	Term expires July 1, 2015
<b>William “Bill” Deal</b>	Term expires July 1, 2013
<b>Joy Fisher</b>	Term expires July 1, 2014

### PERSI Staff

PERSI currently employs 65 staff members operating from the headquarters office in Boise (60 employees) and field offices in Coeur d’Alene (2 employees) and Pocatello (3 employees).

### PERSI Organization



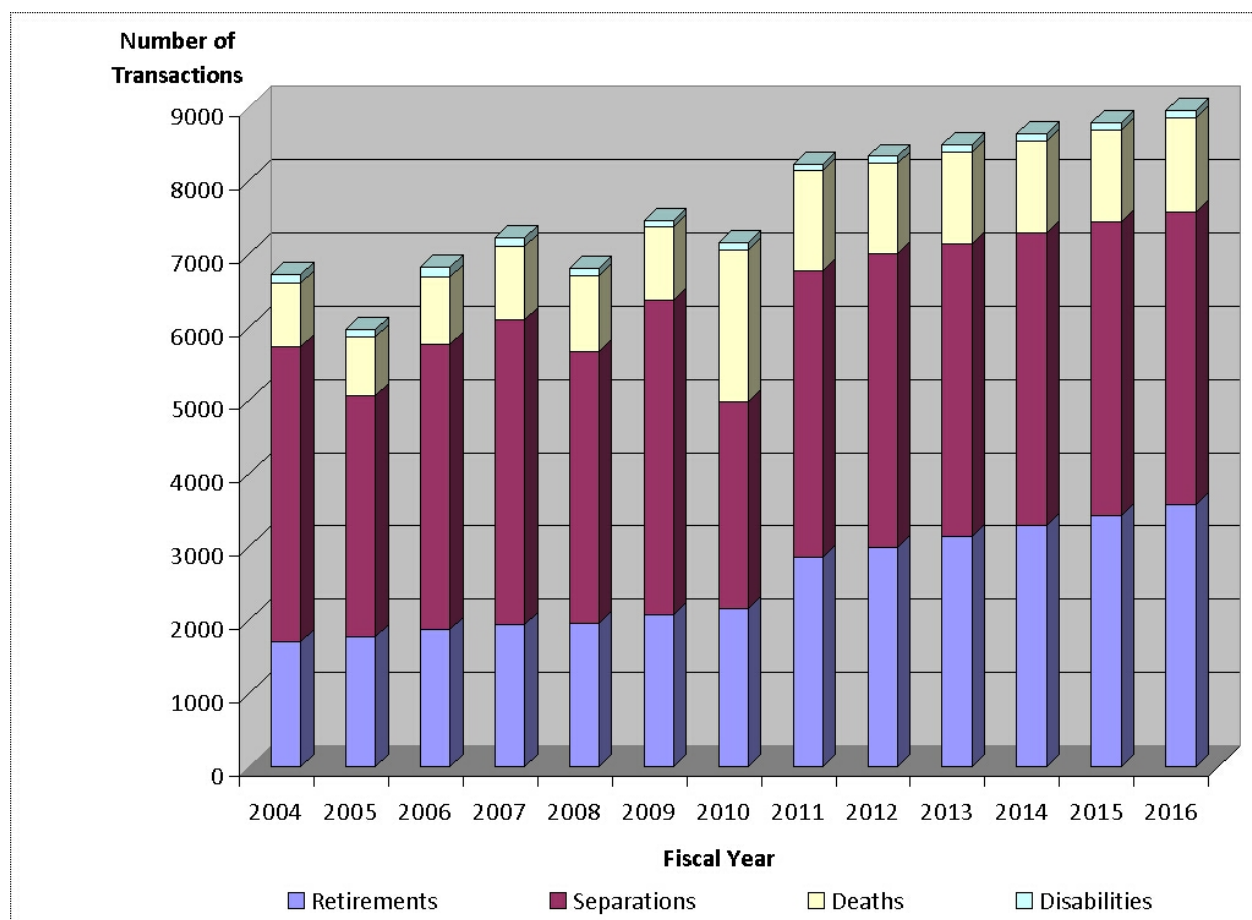
## EXTERNAL INFLUENCES

A number of external factors influence PERSI operations. Federal and state legislation, Internal Revenue Service (IRS) requirements, membership demographics, employers, legislators, the economy and its impact on investments, and a host of other external factors play a large role in the benefits and services offered by PERSI.

### Growth and Diversity of PERSI Membership

PERSI has grown from a small organization of eight staff members serving about 5,500 active members in 1965 to a larger and more “mature” retirement system today. As of May 31, 2011, PERSI had 70,420 active members and 741 employers across the state. In addition, PERSI had 33,846 retirees and 21,786 inactive members. It is noteworthy that PERSI has added only two additional staff over the past several years despite considerable growth and increased workload. PERSI has adopted a “do more with less” approach to business.

The following chart shows past and projected growth in annual PERSI transactions over a 13 year period. With baby boomers reaching retirement age, growth in retirements along with other transactions is projected to substantially increase in the coming years. PERSI cannot control this aging of our population but must be prepared to respond to it.





## Effects of Investments on PERSI Trust Fund and Operations


PERSI is funded by a combination of investment earnings and contributions from employers and employees. The rise and fall of the stock market can have a profound impact on the PERSI trust fund. For Fiscal Years ending 2005, 2006, and 2007, the fund experienced phenomenal growth earnings with gross returns of 10.9 percent, 12.3 percent and 20.0 percent respectively. In 2008, with returns of -4.2 percent, PERSI had its first negative fiscal year since 2002. The market collapse continued in Fiscal Year 2009 causing a significant and rapid decline in the value of the fund. Over a 7-month period beginning in September 2008 the fund value dropped nearly 33 percent.

The fund began recovering in April 2009 and by June 30 regained nearly half of its losses since September 2008. Still, the net return for Fiscal Year 2009 was -16.0 percent, which matched the worst fiscal year in PERSI's history (1974). Recovery continued sporadically throughout the following year with more volatility in the markets. The fund ended Fiscal Year 2010 with a net investment return of 12.4 percent. Although the progress was positive, the fund was not fully recovered so in December of 2009 the Retirement Board approved a series of contribution rate increases to ensure the long term sustainability of the fund. The first increase of 1.5 percent (1% employer and .5% employee) was scheduled to take effect July 1, 2011, but the fund continued to recover, so in the fall of 2010, the Board voted to postpone the increases. The PERSI fund ended Fiscal Year 2011 with an unofficial investment return of 20.7%, the best fiscal year performance since Fiscal Year 1986. The Board will reevaluate contribution rates again in the fall of 2011 to determine what action is most prudent for the health of the fund.

PERSI's objective is to minimize the effect of external influences whenever and wherever possible by diversifying among a wide range of domestic and international asset classes and investment management styles. With billions invested worldwide, PERSI does everything possible to manage risk to the fund. It is, however, impossible to predict or control the rise and fall of world markets; therefore, PERSI funding levels are very much subject to market fluctuations. Regardless of changes in the global economy, PERSI remains steadfast in its investment philosophy: **SIMPLE** – control liabilities and rely on market returns with 70/30 equity/fixed mix; **TRANSPARENT** – easy to understand and explain, concentrate on broad structures and strategies, and no black box investing; **FOCUSED** – look at the big picture over the long term, concentrate on material impacts on overall portfolio, and maintain a small staff and citizen board.

### Technology

Rapidly changing technology challenges PERSI's ability to meet member needs and expectations. To a large degree, the marketplace shapes member expectations of PERSI's online services and influences decision-making about the technologies needed to conduct business in the 21<sup>st</sup> Century. Although PERSI systems have generally kept pace with information technology (IT) advancements, most recently with a digital imaging and automated workflow system, staying ahead of member expectations is imperative. Since fall of 2001, the PERSI IT team has provided all support and maintenance of the PERSI pension administration system. In that time,



PERSI application developers have implemented more than 1700 system and database modifications to correct programming errors and incorporate legislative changes.

The system has been in the final phase of its System Development Life Cycle for several years, and now requires significant resources and hard-to-find skill sets to maintain its core functionality. In fiscal year 2009, PERSI engaged a pension system consulting firm to conduct a comprehensive analysis of the agency's IT business requirements and to identify an appropriate replacement strategy for the current system. The initial steps in this multi-phased project will identify a system capable of meeting both current and future business needs, and allow PERSI to meet the challenge of a rapidly growing public retiree population. As of June 2011, the initial business analysis is done and system requirements have been documented in preparation for issuing a request-for-proposal (RFP) for a replacement system. PERSI has received legislative approval to proceed with the next phase of the project, so is ready to issue the RFP in July and select a system vendor in November of 2011.

### **Federal Law and Regulation Changes Regarding Retirement Plan Qualifications**


PERSI is a tax-qualified retirement plan as designated by the Internal Revenue Service (IRS). To maintain this status, PERSI must respond quickly and accurately to changes in federal laws and regulations from the IRS and Department of Labor. This has become increasingly important as public retirement plans gain national visibility and the IRS attempts to equitably apply regulations to private and public retirement plans. Government regulations, however, are often written without knowledge of the basic differences between public and private retirement plans. It is therefore critical for PERSI to pay constant attention to the efforts of these agencies and to understand the impact changes will have on the system and its members.

## **THE PLANNING PROCESS**

A Planning Committee comprised of department managers and PERSI's project coordinator commenced work on a strategic plan in March 2009. The process began by defining the agency's Values, Mission, and Vision. These established the framework for building the various elements of the plan.

Next, the Planning Committee conducted an Environmental Assessment: an analysis of PERSI's Strengths, Weaknesses, Opportunities, Threats, and Trends (i.e., SWOTT analysis). The SWOTT analysis identified the agency's critical success factors. These factors guided the development of outcome-oriented goals. Objectives defining how each goal would be attained and managed were created to ensure optimized coordination and implementation. Performance Measures were established to enable PERSI to gauge its success in reaching its goals. An accompanying Performance Measurement Plan was drafted to define the timeframe, responsibilities, and audience for each measure.

Immediately upon inception of the agency-wide plan, business unit-specific action plans were completed. These plans identify the specific objectives each business unit must complete to bring about successful realization of Strategic Plan goals. Action plans break the objectives down further by identifying the specific tasks which must be completed to achieve the objective.



Managers review their action plans periodically with the Project Manager and the plans are updated to show progress and shortfalls. Managers then prioritize tasks and assign staff accordingly.

To engage the entire agency and its stakeholders in the development and implementation of the strategic plan, the Planning Committee created a Communication and Input Plan. This plan invited feedback from staff and promoted buy-in among the agency's many stakeholders, further strengthening the quality of the strategic plan. Upon implementation, stakeholders understood the factors driving the plan and became familiar with how implementation would occur.

# Strategic Plan Elements

## THE PLAN FRAMEWORK: VALUES, MISSION, AND VISION

### VALUES

Values are the foundation upon which all PERSI performance is built. PERSI staff will integrate core values into their day-to-day business operations, resulting in exceptional service to members and internal customers.

Three core values (3 Cs) - **Commitment, Character, and Competence** – were carefully selected and agreed upon as the basis for providing professional service. They are depicted in the graphic below.



The Planning Committee developed the following statements to clearly define each of the 3 Cs:

#### **Commitment**

- 1) Producing the highest level of quality possible, always seeking to exceed customer expectations while staying within our ethical and internal control boundaries.
- 2) Focusing on the continuous improvement of our processes and services to meet future challenges and opportunities.
- 3) Jumping into challenging assignments.
- 4) Carefully discovering what is needed and wanted, seeking to “do it right” the first time.
- 5) Seeking solutions to problems/mistakes immediately, and following through until they are resolved. Learning from them for next time.



## Character

- 1) Communicating in a positive, courteous, compassionate manner.
- 2) Treating all customers (internal and external) with the same level of respect and dignity, despite their individual characteristics/backgrounds/circumstances or your personal values/beliefs.
- 3) Listening to and understanding people's concerns and problems without taking anything they say personally.
- 4) Acting in an ethical and honest manner in all endeavors. Maintaining the highest level of confidentiality and security with respect to members and their account information.
- 5) Cultivating the trust of coworkers, members and employers by taking ownership of and responsibility for our actions and their results.
- 6) Conducting yourself in a professional manner in speech and appearance.
- 7) Taking pride in your work area – keeping it clean and orderly.

## Competence

- 1) Learning every aspect of the job.
- 2) Recognizing when additional information or training is needed to ensure you have the knowledge and skills needed to do the job.
- 3) Taking action only to your current level of expertise and authority.
- 4) Focusing on what needs to be done and differentiating between what is and is not part of PERSI's core functions.
- 5) Performing duties in an accurate and timely manner that ensures our members receive the service and benefits to which they are entitled.

## MISSION

The Mission describes PERSI's *current purpose*.

**To provide a sound retirement system  
and high quality service and education  
to help Idaho public employees build a secure retirement.**

## VISION

This defines PERSI's *ideal future* four years from now.

**To be the premier public retirement system,  
respected by customers, peers, and the community,  
and known for professional service, technological advancement, and fund stability.**



## WHAT WILL BE ACCOMPLISHED, AND HOW: GOALS, OBJECTIVES, AND PERFORMANCE MEASURES

Goals represent *what will be accomplished* to reach the vision. To be effective, goals must focus on the long-term desired outcomes or achievements of the agency. Four goal themes emerged for PERSI: **Communication, Technology, Organizational Structure, and Staff Development.**

Objectives (aka strategies) define *how the goals will be achieved*. Department-specific strategies that align with the agency-wide direction will be developed and implemented by respective managers and staff.

Performance measures are tools for gauging success in achieving goals. Often, performance measures must be sensitive enough to discern the impact of individual objectives; but they are ultimately designed to track progress on reaching the outcomes defined by the goals. The performance measures include annual targets or benchmarks which help track incremental changes in plan success.

# Goal 1

***Accurate, timely, and relevant information communicated to internal and external customers.***

## **Objectives**

- A) Implement and refine business processes that support PERSI's communication strategy within the following areas of emphasis:
- Internal communication
  - External communication
  - Education
  - Document management

## **Performance Measures**

<b>Measures</b>	<b>Benchmarks</b>
1. Overall Member Satisfaction	90%
2. Overall Employer Satisfaction	90%
4. Member Education – Quality of Training / Retention of Knowledge*	95% / 75%

*\* PERSI trainers use an electronic audience response system in the educational workshops to gather feedback from workshop attendees. Besides the benefit of measuring pre- and post-workshop knowledge, the immediate feedback enables trainers to quickly adapt course presentations to devote more attention to topics which tend to receive low measures for understanding. Consequently the measurement tool also helps raise the quality of training and retention of knowledge.*

## Goal 2

***Technology solutions optimized for and aligned with business-driven processes.***

### **Objectives**

- A) Provide a secure agency for employees and members, both at a personal and informational level.
- B) Implement enhancements to the document management system to create efficiency across the agency.
- C) Continuously monitor and improve data quality.
- D) Implement technology improvement plans and optimize utilization of technology.

### **Performance Measures**

<b>Measures</b>	<b>Benchmarks</b>
1. Disaster Recovery Simulation Testing	100%
2. Quality Assurance/Regression Testing	95%
3. Final implementation of new pension benefit administration system that meets business-driven processes.*	100%
4. Increase in member use of the Self-Service Web site.	5% / fiscal quarter

*\*This is a multi-phased, multi-year project that began in June 2009 and was put on hold for one year pending legislative approval. Funding has been approved and the project will continue beginning July 1, 2011.*

## Goal 3

***An organizational structure that supports consistent, effective, and accountable operations.***

### **Objectives**

- A) Create a supportive work environment that encourages CQI (continuous quality improvement) and accountability.
- B) Develop an organizational structure that supports succession planning. (This includes how employees move through the agency and ensuring that agency needs are met.)
- C) Evaluate and refine standard operation procedures for each department and update them as changes occur.
- D) Annually review internal controls and make improvements where needed or appropriate.
- E) Monitor and improve processes for internal quality review and improvement

### **Performance Measures**

<b>Measures</b>	<b>Benchmarks</b>
1. Percent of retirees who receive their first annuity payment on their first eligibility date	95%
2. Number of business days to produce a written benefit estimate after a request is received.	5 days
3. Number of days to produce a separations benefit after receipt of final documentation	7 days
4. Average number of days after receipt to process employer transmittals	3 days

## Goal 4

***An organizational culture in which all communication and actions reflect the values of character, commitment, and competence.***

### **Objectives**

- A) Evaluate and update agency-wide staff development plan that encompasses the following:
  - Agency functions/business requirements
  - Current skill sets and aptitudes
  - Current and projected needs
  - Upcoming training programs
- B) Conduct comprehensive, accurate, and timely employee performance reviews to include coaching sessions, job shadowing, and individual development plans jointly developed by the employee and his/her immediate supervisor.
- C) Provide orientation for new employees to include PERSI terminology, the organizational chart and information on job functions and business processes.
- D) Conduct employee recognition program to encourage and reward meritorious performance.
- E) Identify upcoming staff retirements and maintain the workforce management and succession plan.

### **Performance Measures**

Measures	Benchmarks
1. Overall Member Satisfaction	90%
2. Overall Employer Satisfaction	90%

