

Overview

The Public Employee Retirement System of Idaho (PERSI) administers retirement and benefit plans for more than 65,000 public employees in the state. PERSI administers two defined benefit (DB) retirement plans (the Public Employee Retirement Fund Base Plan and the Firefighters' Retirement Fund), two defined contribution plans, and two Sick Leave Insurance Reserve Trust Funds.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Education employees make up about 44% of the active membership in PERSI.

Key Facts

- Teachers and general employees contribute 6.23% of salary to the fund.
- Employers contribute 10.39% to the fund.
- Each dollar invested by Idaho taxpayers in the pension supported \$5.66 in total economic activity in the state.



▶ Key PERSI Data¹

The chart below summarizes the key data for PERSI, as of June 30, 2012:

| | PERSI Total | School Employees |
|---|----------------|------------------|
| Total active employees | 65,270 | 28,777 |
| Total retired, disabled, and survivor beneficiaries | 37,150 | 16,103 |
| Employer contribution rate* | 10.39% | |
| Employee contribution rate | 6.23 | |
| Average annual service pension benefit | \$16,448 | |
| Actuarial value of assets | \$11.3 billion | |
| Funded ratio | 84.7% | |
| Unfunded actuarial accrued liability | \$2.0 billion | |

*For all employees except police and fire. The contribution rate for general employees is set by statute at 60% of the employer rate.

▶ The Economic Impact of Idaho Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to Idaho communities and the state economy. Within the state of Idaho, 2012 expenditures stemming from state and local pensions supported:

- 10,139 jobs that paid \$382.7 million in wages and salaries
- \$1.4 billion in total economic output
- \$192.3 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.76 in total economic activity in Idaho.

Each dollar “invested” by Idaho taxpayers in these plans supported \$5.66 in total economic activity in the state.



¹ All data, unless otherwise noted, as of June 30, 2012.

² Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Public Employee Retirement System of Idaho (PERSI)**. PERSI provides retirement benefits for public school employees in Idaho. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$5.66 The total economic activity in Idaho for each dollar invested by Idaho taxpayers in PERSI.

\$1.4 billion Total economic output in Idaho created in 2012 when public sector retirees spent their pension income.

\$192.3 million Federal, state and local tax revenues generated by spending of Idaho public pension income.

10,139 Jobs created from pension income spending by Idaho state and local government retirees.

65,270 Total active members of PERSI.

\$16,448 Average annual pension income for a PERSI retiree.

6.23 Percentage of salary that employees contribute from every pay-check to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

60 Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

101 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$1.1 million Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either the Public Employee Retirement System of Idaho or the National Institute on Retirement Security.



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Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Employees contribute 6.23% of salary out of each paycheck to the pension fund.
- The average retirement benefit is \$16,448 per year, or \$1,371 per month.
- PERSI covers 28,777 active school employees and 16,103 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The PERSI pension replaces 60% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

Public school teachers in Idaho have pension coverage through the Public Employee Retirement System of Idaho (PERSI).

PERSI covers 28,777 active school employees, and 16,103 retired school employees and beneficiaries. Employees contribute 6.23% out of each of their paychecks to the pension fund. The average retirement benefit is \$16,448 per year, or \$1,371 per month.

The PERSI pension replaces 60% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in Idaho⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Idaho:

- The cost of turnover in Idaho is \$10,663 per teacher.
- 101 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$1.1 million in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's *Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1, 2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Oakley, D., and K. Kenneally. 2013. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.