



PERSpectives



Fourth Quarter 2007

Public Employee Retirement System of Idaho

DON'T LET TAXES STRESS YOU OUT...GET ORGANIZED

Now that the holidays are over, your mailbox is no longer filled with holiday greeting cards; soon you can expect to start receiving year-end statements and other necessary documents for filing your 2007 taxes. For many of us, the next few months will be stressful. Although the best time to prepare for tax season is the year before you have to file, it's not too late to get organized and reduce the stress filing taxes can bring.

Start Early

If you don't prepare your own taxes, schedule an appointment with your tax preparer for late February. The closer it gets to the April filing deadline, the harder it will be to get an appointment. With an appointment set, you'll be more likely to stay on track in getting organized for the meeting. Plus, an early appointment will allow the tax preparer ample time to go over your documents, review your return, and possibly offer advice for next year's taxes. If you do prepare your own taxes, set a deadline for getting them done so you stay focused and have plenty of time to review the return before you file.

Organize Your Documents

Getting organized is easier if you know which documents you need. Here's a short list of some of the most common forms you'll need:

Income

- W-2s
- 1099-Misc.
- Social Security statement (1099-SSA)
- Dividend and interest statements (1099-DIV and 1099-INT)
- Brokerage statements (1099-B) (along with statements showing when you bought/sold investments)
- Proof of alimony received
- Jury pay
- Retirement distributions (1099-R)

- Record of income and expenses for any rental property you own
- Record of income and expenses for self-employment

Deductions

- Health care expenses (doctor, dentist, insurance premiums, eye care, prescriptions)
- Property taxes
- Charitable gifts
- Last year's tax preparation fees
- Job-related expenses (uniforms, publications, education, union dues)
- Loss of property due to casualty or theft
- Home office expenses

Misc. Documents

- Moving expenses
- Educational expenses (college tuition)
- Student loan interest (1098-E)
- Child or adult day care expenses
- IRA contributions

Sort, Eliminate, and File

As documents such as your W-2 form come in, put them in a single container. Do the same with the receipts and documents you already have on hand. Keeping everything in one place will make organizing them easier. As you begin sorting through the mounds of paper you've held on to during the past year, decide what's necessary and what can be eliminated. Keep the receipts and documents necessary for filing your taxes and get rid of the rest (unless you need them for a home office deduction or for warranty purposes).

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Insights

PLANNING FOR RETIREMENT IN YOUR 60s AND BEYOND

By the time you reach your 60s, it's time to start seriously thinking about the transition from the workforce to retirement. Regardless of what you envision for yourself in retirement, you need to assess your situation. Do you have a plan? Have you saved enough? What will you do with your time? These are just some of the questions you'll need to ask yourself.

Have a Plan

Several years before you plan to retire, start planning the transition. Start by calculating your income and expenses in retirement.

- Will you be paying for a mortgage; for health, auto and life insurance; for utilities, gas and food? For most of us the answer is yes; so it makes sense to know how you're going to meet these expenses.
- Do you know what your income will be when you retire? Based on your current situation, calculate your income from all sources – PERSI Base Plan, Social Security, Choice Plan 401(k), personal savings, and other retirement accounts and/or pension benefits.

Subtract your expenses from your income and you'll have a some idea of where you stand. Do you have enough for your necessities? Is there anything left for travel, vacations, hobbies, or doing some of the things you envisioned doing in retirement? If not, then you might want to take action.

A Sense of Urgency

Saving for retirement, even in your 60s, can have a measurable impact on the quality of your post retirement lifestyle. Making retirement savings a priority is critical at this juncture. Retirement today can last more than 20 years, and you want to have enough funds to last. A good starting place, if you haven't already done so, is to attend the PERSI retirement workshop called *Retirement's a Beach*. Beginning in 2008, the program is expanding to 7 hours so more detailed information about

Social Security and Medicare can be incorporated. The majority of the program is designed to help you understand your PERSI benefits and the various distribution choices available to you at retirement. Every PERSI member who attends a workshop will be given a Base Plan benefits estimate along with a workbook explaining PERSI benefits. Both the workshop calendar and online registration are available on the PERSI Web site at www.persi.idaho.gov under the Education tab.

Saving

Maximize your tax-deferred contributions. Now is the last time you can sock away additional retirement money. If you haven't hit the annual maximum contribution amount in your Choice Plan 401(k) or other retirement accounts, you may want to boost the amount you defer. Although it may be too late this year, you will want to remember to take advantage of "catch up" provisions in 2008. The contribution limit to your Choice Plan 401(k) is \$20,500. Next fall assess your situation; if you haven't reached the dollar limit consider making "catch-up" contributions to bring yourself up to the \$20,500 cap. If you are contributing to other retirement savings plans [403 (b), 457, IRA] in addition to the Choice Plan, the combined total you can contribute could be affected. Check with your plan administrator for clarification on the limits.

Social Security and Medicare

Social Security is only one part of your retirement income equation...but it can be an important one. You should apply for your Social Security benefits approximately 3 months before you want your benefits to begin. Full retirement age is 65 – older depending on your date of birth. Full retirement age means you will be eligible for your full benefit. You can retire as early as age 62, but you will receive a reduced benefit. Detailed information is available on the Social Security Web site at www.ssa.gov.

Medicare is very rigid about its enrollment period. Most people qualify for Medicare at age 65. About 3 months

before your 65th birthday, you need to call the Social Security Administration (SSA) at 1-800-772-1213 or visit your local SSA office to apply even if you plan to continue working. You can determine your eligibility online by visiting the Medicare Web site at www.medicare.gov and using the enrollment eligibility tool. Once you answer the questions, you will receive the eligibility results and instructions on what to do (the penalty for not enrolling in Medicare Part B when it becomes available to you is also explained).

Changing Your Investment Strategy

This may be a time when you want to review your investment choices. When you were younger you could afford to take more risk; but in your 60s, you may want to take a more conservative approach to investing. But don't rush to move all your higher risk, well-performing investments to safer, less-aggressive choices. You probably still want to keep some higher-performing choices in your portfolio. At a minimum, your investments should be earning at the rate of inflation.

Preparing Your Return

Now that you're organized, you can relax until the appointment with your professional tax preparer. Or, if you plan to prepare your own return, you can get started. You may want to consider using one of the several tax software packages now available. (*PERSI is neither promoting nor endorsing these products.*) To find out more about the various software packages, go online so you can compare features and costs. (Remember, if you purchase tax software keep the receipt and deduct it from next year's taxes.)

The advantage of using tax software is that much of the guess work is eliminated. Tax software programs are typically step-by-step; therefore, you can complete a tax return faster and with fewer errors than doing it manually. Most tax software packages offer both state and federal tax forms and will transfer the information from your federal return over to your state return. This saves time and guarantees that the information found on your state tax return is the same as your federal return. The majority of the packages also offer e-filing, which can expedite a refund if you are entitled to one.

What to Do if You Can't Make the Deadline

If you simply can't meet the April 15th filing deadline, you can get an extension by completing a Form 4868 and sending it to the Internal Revenue Service on or before the

Plan for the Future

Besides having an estate plan and a current will, you should review your insurance needs. Do you have enough life insurance to replace the income from Social Security or a pension that might be lost if you outlive your partner or spouse or they outlive you? Even if you are healthy now, an extended illness or becoming incapacitated can deplete an estate. You might want to consider getting long-term care insurance. You should also start planning how you will withdraw your retirement savings so it lasts throughout your retired life...be mindful that required minimum distributions begin at age 70½. Many people find it makes sense to meet with a financial planner and/or an attorney before making final decisions.

Stay Informed

If you develop a plan, maximize savings, monitor your investments, and plan ahead, you can make the most of your retirement.

filing deadline. But remember, this is just an extension, you must still file your tax return. And, if you think you're going to owe taxes, you will still need to pay your estimated

balance by the April 15th deadline. Be careful when estimating your tax liability, because you may owe penalties and interest if you underpay.

Get Ready for Next Year

Rather than starting over next year, use the same system you used this year. Empty the container where you stored your documents and receipts, put these papers along with a copy of your tax returns in a safe place. If you're ever audited, you can go right to the file. Use the empty container where you kept this year's documents to start keeping next year's paperwork. When it comes time to sort through receipts, all the necessary ones will be centralized in your tax container.

If you get organized you can take the stress out of doing your taxes. Good Luck!



A RISE IN INTEREST RATES CAN IMPACT BUY BACKS

If interest rates rise in 2008, a buy back will cost more. The interest rate for a buy back changes annually. It is based on the income earned on PERSI investments and is set at the beginning of each year. Once the first payment is received, the interest rate is locked until the repayment is complete. With the possibility of rising interest rates, anyone considering a buy back might want to get the process started.

What is a Buy Back?

When a member leaves PERSI-covered employment they may withdraw their Base Plan money and the interest earned on their contributions. This is called a separation benefit and is refunded to the member as a lump sum payment. If a member later returns to work for a PERSI employer after withdrawing the money from their Base Plan account, they may "buy back" their separation benefit by paying back the funds plus interest to reinstate the service credit for their previous employment. (Members may also elect not to buy back the separation benefit and start over in accruing service credits.)

Buying Back a "Waiting Period"

From July 1, 1965 to June 30, 1971, PERSI members had a one-year waiting period before they were eligible to earn service credit. This time can be bought back (with interest) so the member receives service credit for the one year "waiting period."

Initiating a Buy Back

The process is started by contacting PERSI to request a buy back. PERSI will audit the records to verify eligibility, confirm active member status, and run an estimate to calculate the amount the member withdrew plus interest.

Several Payment Options

Four repayment options are available: (1) A member may sign up for an irrevocable tax-deferred payroll deduction. *Once started, the payments must continue until the debt is paid in full or the member terminates employment.* (2) Roll over money from an eligible plan such as a 401(k); (3) Elect an in-service transfer of funds from a 401(k), 457, or 403(b) plan; or (4) Make a lump-sum or series of taxed payments directly to PERSI.

The previous three options must be done before any irrevocable tax-deferred payroll deductions begin, and payments must start while the member is active.

More information on buy backs can be found in the second quarter PERSpectives newsletter on the PERSI Web site at www.persi.idaho.gov or by calling the PERSI Answer Center at 1-800-451-8228 or 208-334-3365 in the Boise area.

FREE MONEY MATTERS WORKSHOP

hosted by the
Coalition for Financial Literacy
with PERSI participation

April 18, 2008

8:30 a.m. - Noon

Nampa Civic Center

311 Third St. South in Nampa
Continental Breakfast included

RSVP at (208) 378-0200 x 751



www.persi.idaho.gov

PERSI INVESTMENT NEWS

as of December 11, 2007*

Value of the Fund:
\$11,874,322,735

Fiscal Year Change in Market Value:
\$411,744,322

Fiscal Year-to-Date Returns:
3.8%

Month-to-Date Returns:
0.8%

*Posted monthly on PERSI Web site: www.persi.idaho.gov

IDAHO PERSpectives

Public Employee Retirement System of Idaho

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