



# PERSpectives



Fourth Quarter 2008

Public Employee Retirement System of Idaho

## PERSI SOUND DESPITE CONTINUED MARKET VOLATILITY -a message from Executive Director Don Drum-

While the financial news continues to be bleak, I can assure you PERSI remains sound. Although PERSI has not been immune from the challenges brought on by stock market fluctuations, the strength of the PERSI mission, our business model, and our fiscally conservative investment policy have continued to serve us well during these turbulent times.

When financial markets enter a downturn, PERSI inevitably hears from members who are concerned about their benefits. I believe challenging conditions present opportunities. PERSI has looked for opportunities to keep members informed about the health of the fund. Besides providing information in our newsletters, we have posted updates on our Web site at [www.persi.idaho.gov](http://www.persi.idaho.gov) and our Answer Center staff is available Monday-Friday from 7:30 a.m. to 5:30 p.m. (MT) to respond to your inquiries. In the Boise area call 334-3365, and from outside the Treasure Valley call toll-free 1(800) 451-8228 with your questions.

Despite the troubling times, we will continue to meet our obligations by paying benefits as they are due, and by providing the same – or even better – customer service. Members are invited to attend the monthly board meetings, which are generally held in the Boise office the fourth Tuesday of each month starting at 8:30 a.m. The schedule is posted on the PERSI Web site. Each board meeting begins

with a 40-minute presentation and discussion on the status of the system by PERSI’s Chief Investment Officer Bob Maynard and the investment managers. A monthly investment report is posted to the PERSI Web site following the meeting.



*Executive Director  
Don Drum*

No one knows when the economy will stabilize; but I do know as long as there is a State of Idaho, your retirement benefits will be there because they are guaranteed by law. Unlike the Base Plan, there are no guarantees with the Choice 401 (k) Plan. Unfortunately investing can be risky. If you’re considering pulling out your money, it might help if you compare your trip to retirement to air travel. You wouldn’t think of jumping out of a plane because of turbulence...you would stay in the aircraft and continue the flight to your final destination. Our economy has a history of resilience, so if you ride out the turbulence, the value of your Choice Plan account has the potential to increase by the time you reach your final retirement destination.

I can’t tell you when things will turn around, but I can promise to continue updating you on the status of the PERSI fund.

## NEW DEPUTY DIRECTOR NAMED



*Bill Oldham*

PERSI is pleased to announce that William Oldham has accepted the position of Deputy Director. He comes to PERSI from Analyze Soft, Inc., where he served as Vice President of Business Development for the past 2 years. Bill previously spent nearly 4 years working for the Idaho Department of Corrections as an Administrator for the Management Services Division and as the General Manager for Idaho Correctional Industries. He holds a master’s degree in Business Administration from Alaska Pacific University. His 30 years of operations and management experience, along with existing relationships within Idaho state government, position him for success at PERSI.

**Inside this issue:**

Plan Comparisons.....	3
Investment News.....	4
401(k) Transactions.....	4
Additional PERSI News.....	4

# Insights

## COMPARING THE BASE PLAN AND THE CHOICE 401(K) PLAN - DB vs. DC Retirement Plans -

PERSI members – even longtime members – are often confused about the differences between the Base Plan and the Choice Plan. Adding to the confusion is the debate over which is better: a defined benefit (DB) plan or a defined contribution (DC) plan. While they share similarities, the plans are different. Fortunately, PERSI members have the best of both worlds...the security of the Base Plan and the option to supplement their retirement with contributions to the Choice 401(k) Plan. Either plan alone would be good, but together they provide a more secure retirement for PERSI members.

### What is a Defined Benefit Plan?

The PERSI Base Plan is a defined benefit plan. It is a state-guaranteed pension plan funded by you and your employer to serve as an income source when you retire. Participation is required if you work for a PERSI-covered employer and work 20 hours a week or more. If you are a general member, you currently contribute 6.23% of your salary to PERSI each pay period, and your employer contributes 10.39%; if you are a police/firefighter member you contribute 7.65% of your salary to PERSI, and your employer contributes 10.73% each pay period. The funds are pooled in a trust and invested to pay future benefits. The responsibility falls to PERSI to invest wisely and to get the best and safest return on the money.

As a PERSI member, you are promised a monthly benefit when you become vested (eligible). Your benefit starts at retirement and continues as long as you live. The amount you receive is based on a “defined” formula that includes your average monthly salary over a base period, a multiplier, and years of credited service. You will never outlive your benefit because it is for your lifetime regardless of what you contributed.

The Base Plan also offers additional value including an annual cost of living adjustment (COLA), death and disability benefits, and the option of providing

a lifetime benefit to a contingent annuitant after your death.

For many years, the Base Plan was the only retirement plan available to members. In 2001, PERSI chose to distribute \$155 million in excess investment earnings to members. To accommodate this distribution, PERSI established the Choice 401(k) Plan.

### What is a Defined Contribution Plan?

The Choice 401(k) Plan is a defined contribution plan. It is a retirement plan where you (and sometimes your employer) make tax-deferred, voluntary contributions to a retirement savings account. You direct your investments – and assume the risk, and you decide how much you want to contribute through payroll deductions each pay period (subject to Internal Revenue Service limits). The funds belong to you and you are responsible for all investment decisions. You can change the amount of your deferral at any time (check with your employer about possible frequency limitations). At retirement, you may leave your money in the Choice Plan, take a lump sum payment, receive monthly installment payments over a specified period of time, or rollover the balance into another eligible retirement account. (Some restrictions apply; contact PERSI for details.) It is also possible to combine any of these options. Unlike the Base Plan, the Choice 401(k) Plan includes a loan feature.

Many individuals think the DC plan is easier to understand since it's similar to a bank account...you make a deposit (your contributions) and can see your balance at a glance. It's hard for some people to appreciate the value of the monthly benefit they will receive from their DB plan because they won't draw it until the end of their careers, which could be 25-30 years. With a DB plan you are free from investment responsibilities. With a DC plan you'll do better if you understand investing and have the time to manage your investments.

So which is better a defined benefit or a defined contribution plan? PERSI members don't have to decide between the two types of plans...both are already available to you.

You may have heard it said that retirement savings is like a three-legged stool. One leg is Social Security, another is personal savings, and the third leg is your PERSI Base Plan. How do you think the legs of your stool are holding up? If you're unsure about Social Security, and you're not setting aside some personal savings, then your stool may be wobbly. The Base Plan leg alone may not be enough for your retirement. So, if you think your stool needs some propping up, consider making contributions to the Choice 401(k) Plan. By adding the Choice 401(k) Plan to your retirement savings strategy – even in these tough economic times, you may increase your financial security in retirement.

If you're not already participating in the Choice 401(k) Plan, it's easy to get started. First, visit the PERSI Web site at [www.persi.idaho.gov](http://www.persi.idaho.gov) and take the Choice Plan Web tour. Then from the Home page, under the "Members" drop-down menu, click on "Choice 401(k) Plan." Scroll down to the *Choice 401(k) Plan Informational Materials and Forms* area and click on "[Request an Enrollment Kit.](#)" You may also start, change, or stop payroll deductions for tax-deferred contributions to the Choice 401(k) Plan, by completing a "[Choice 401\(k\) Plan Deferral Election Form](#)" and submitting it to your payroll clerk.

If you have questions about your Base Plan, or want to talk to someone about the Choice 401(k) Plan, you can call the PERSI Answer Center Monday-Friday from 7:30 a.m. to 5:30 p.m. (MT) at (208) 334-3365 in the Boise area, or toll-free 1(800) 451-8228 from outside the Treasure Valley. More information is also available on the PERSI Web site.

### Base Plan and Choice Plan at a glance

	BASE PLAN Defined Benefit Plan	CHOICE 401(k) PLAN Defined Contribution Plan
<b>Participation</b>	Mandatory. Employees who work 20 hours or more per week or who are salaried elected or appointed officials, and complete 5 months of employment with a PERSI employer	Optional. Members who are eligible for the Base Plan
<b>Tax deferred contributions</b>	Yes	Yes
<b>Employee contributions</b>	Yes, mandatory. General member 6.23% Police/Firefighter 7.65% of gross pay	Yes, voluntary. For 2009: may contribute up to \$16,500 max; may make \$5,500 in catch up contributions if age 50 or older
<b>Employer contributions</b>	Yes, mandatory. General employer 10.39% Police/Firefighters 10.73% of gross pay	Optional, at employer's discretion
<b>Rollovers allowed (incoming &amp; outgoing)</b>	Yes, under certain circumstances (if outgoing for a termination or buy back)  No incoming funds accepted	Yes, if incoming from another qualified plan or pre-tax IRA (not from Roth IRA) Yes, if rolling out to another qualified plan or regular or Roth IRA
<b>Benefit at retirement</b>	Calculated using a defined formula	Based on account balance and distribution method selected
<b>Distribution methods</b>	Installment payments Choose from various options	Member chooses: lump sum or installment payments
<b>Member changes contribution amount</b>	No	Yes, at any time (subject to employer frequency limitations)
<b>Loans allowed</b>	No	Yes
<b>Investment options</b>	None, managed by PERSI	12 options, self-managed
<b>Cost of Living Adjustments</b>	Yes	No
<b>Disability Benefit</b>	Yes	No
<b>Death Benefit</b>	Beneficiary may get up to 2x the account balance or a lifetime benefit	Account balance distributed to beneficiary(ies)
<b>Can I run out of money?</b>	No. Regardless of your account balance, a lifetime benefit is guaranteed once you are vested.	Yes. Based solely on account balance.

Remember...if you are already logged onto your Base Plan account, you can use the "hot link" to get to your Choice Plan account without going through a separate log on process. This is known as a *single sign on* feature. If you haven't registered to access your Base Plan account, you can do so on the PERSI Web site.

# 401(K) ONLINE WITHDRAWALS

PERSI continually looks for ways to provide enhanced services to members. The most recent enhancement is to the Choice 401(k) Plan. Participants can now perform online distributions, including:

- **For terminated or retired members:**
  - Final (termination) Distribution
- **For members currently working for PERSI employers:**
  - Rollover Withdrawals (withdrawal from any rollover contribution participants may have made into their Choice Plan account)
    - Age 59½ Withdrawals from the old Idaho Super Saver Plan (if participants have money in an account from that plan and are at least age 59½)
    - Hardship Withdrawals (for immediate and heavy financial need)
      - > Initiate the request online; a pre-completed package will be mailed to the member's home address so required documentation can be obtained
      - > Transaction is on "hold" until required documentation is sent to ACS HR Solutions, the Choice Plan record keeper

## How Do I Request a Withdrawal?

Several options are available:

- Log on to your Choice Plan account using your Social Security Number and the PIN assigned by ACS
    - Go to the "Actions" tab on the left side of the page
- OR
- Call ACS HR Solutions at 1-866-437-3774 from 7 am to 6 pm to talk with a Customer Service Representative
  - Don't remember your PIN?
    - Log on to your **MyPERSI** account from the PERSI Web site and use the "hot link" to go directly to your Choice Plan account without using a separate logon

## Other Online Transactions Now Available

- Request a loan
- Current investment selections
- Transfer between investment funds

Source: Diane Kaiser, PERSI's Defined Contribution Manager.

## PERSI INVESTMENT NEWS

as of December 14, 2008

### Value of the Fund:

\$ 8,441,584,303

### Fiscal Year Change in Market Value:

\$ (2,470,141,571)

### Fiscal Year-to-Date Returns:

-22.4%

### Month-to-Date Returns:

0.6%

\*Posted monthly on PERSI Web site: [www.persi.idaho.gov](http://www.persi.idaho.gov)

## ADDITIONAL PERSI NEWS

- Effective January 1, 2009, the regular interest rate on Base Plan accounts will be 1 percent. The regular interest rate credited to member accounts is equal to the larger of PERSI's net investment return rate at the end of the previous fiscal year or 1 percent.
- Choice 401(k) Plan annual statements will be mailed to members in January; quarterly statements are posted online.
- PERSI's 2008 Annual Report is available on the Web site at [www.persi.idaho.gov](http://www.persi.idaho.gov).



[www.persi.idaho.gov](http://www.persi.idaho.gov)

I D A H O

## PERSpectives

Public Employee Retirement System of Idaho

PERSpectives is published quarterly for members of the Public Employee Retirement System of Idaho  
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