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RETIREMENT BOARD MAKES A DIFFICULT DECISION

To say PERSI had a interesting year is an understatement. Although the fund had an FY '09 loss of 16%, since March 2009 there have been significant gains. Because of these ups and downs, employers and members have been wondering how and if contribution rates would be affected. After months of reviewing financial and actuarial data, at its December meeting the PERSI Retirement Board reached a unanimous decision to increase contribution rates.

Even though PERSI started the new fiscal year with reasonable optimism, because the unfunded actuarial liability exceeded 25 years, the Board had to take action pursuant to Idaho law (Idaho Code 59-1322). The Board is responsible for understanding economic conditions and investment trends as they relate to actuarial assumptions so they can adopt the right strategy to protect the system's funds regardless of any compelling or compassionate concerns. While the Board is sensitive to the budgetary constraints of employers and their employees, they had no option but to raise contribution rates. However, the Board does have some latitude on how and when to implement the increase, which may reduce the strain on current budgets.

The Board is taking the same approach it took in 2002. The rate increase will be phased in over three years. A six-month grace period will allow the first increase to coincide with the beginning of the state's new fiscal year on July 1, 2011. The

rates for employees and employers will increase by approximately 1.5% in each of the first two years, with the balance going into effect the third year. The total net increase is 5.31%. Employers are responsible for two-thirds of the increase and employees for one-third. As in previous years, if the economic situation changes the increases could potentially be postponed or reduced.

In less than ten years, due to economic conditions, PERSI has gone from being 113% over funded to 25% under funded. Dealing with dramatic changes like these is not easy. The Board is responsible for acting in the best interest of the fund...and this year that meant raising contribution rates.

The table below shows the rate increase over the a three-year period:

Public Employee Retirement System of Idaho New Projected Contribution Rates				
	<u>Current Rates</u>	<u>Rates 7/1/2011</u>	<u>Rates 7/1/2012</u>	<u>Rates 7/1/2013</u>
Fire and Police Members				
Employer Rate	10.73%	11.66%	12.58%	13.99%
Member Rate	7.69%	8.36%	9.03%	10.04%
Total Rate	18.42%	20.02%	21.61%	24.03%
General and Teacher Members				
Employer Rate	10.39%	11.32%	12.24%	13.65%
Member Rate	6.23%	6.79%	7.34%	8.19%
Total Rate	16.62%	18.11%	19.58%	21.84%

If you have questions about the rate increase, contact the Employer Service Center toll-free at 1-866-887-9525 or 287-9525 from the Boise area. (Direct employees with questions to the PERSI Answer Center toll-free at 1-800-451-8228 or 334-3365 in the Treasure Valley.)

RETIREMENT BENEFIT PROJECTION TOOL FOR CHOICE PLAN

Employers can tell their employees about a new benefit projection tool that was added to the Choice 401(k) Plan Web site hosted by ACS, the plan's record keeper. This new feature, activated on December 16th, allows members to project the growth of their Choice 401(k) Plan account based on the values provided. *It is a projection, not a prediction of future benefits.*

Tool Features:

- Allows members to project account balance based on various data elements: salary, compensation increase percentage, number of years, contribution rate, and estimated rate of return.

- Allows for detailed member inputs and reflects more detailed plan rules.
- Results show total projected account balance and present breakdown of employer match (if any), contributions, and investment earnings.
- Results can be displayed in graph format.

PERSI invites Choice 401(k) Plan participants to check out this valuable new tool. Log onto the PERSI Web site at www.persi.idaho.gov and follow the Choice Plan links or call ACS toll-free at 1-866-437-3774 for more information.

EMPLOYEE AND MANAGER OF THE YEAR AT PERSI



Insurance specialist Wayne Ellis was recognized by PERSI as the Employee of the Year. Wayne played a key role in modifying the insurance program at PERSI. The program had grown to be complicated, and had put PERSI in the position of acting as a third-party administrator, which involved more manpower and time than PERSI could provide. Wayne worked with the insurance providers to clearly define roles, and helped develop a memo of understanding for PERSI, employers, and the insurance carriers to spell out expectations. This was a major initiative for PERSI in 2009. Wayne made a huge impact on improving efficiency at PERSI, and simplifying the process for our members so they receive accurate insurance information directly from their insurers.



New IT manager Ray Polzin was named PERSI Manager of the Year. Ray, who joined PERSI just 10 months ago, made an immediate impact upon his arrival. He shepherded through an RFP to procure an outside vendor to assist PERSI as it goes forward with the development of a new pension administration system. The 5-year project requires time and resources to effectively evaluate PERSI's current and future needs, and to understand each process performed by PERSI to calculate benefits and ensure retiree payroll is run on time each month. Ray shared his technical insights and business acumen to ensure the right vendor was selected for this highly anticipated new system.

Notes

PERSI's Chief Investment Officer Bob Maynard was notified that he will receive a lifetime achievement award from the *Money Management Letter* (MML) in February. MML is a publication focusing on the defined benefit pension fund industry. The award recognizes Bob's role at PERSI for the past 17 years, his previous role as deputy executive director of the Alaska Permanent Fund Corporation, and his participation on a number of boards of directors of investment-related organizations.