



NEWS TO USE

A newsletter for PERSI employers

January 2011

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CONTRIBUTION RATE INCREASE POSTPONED

December 7, 2010 -- Press Release

At its December meeting, the Board of Directors for the Public Employee Retirement System of Idaho (PERSI) announced its decision to postpone the rate increase scheduled for July 1, 2011. In making the decision, the Board evaluated PERSI's current funding position, reviewed investment returns and projections, and considered the affect a rate increase would have on the budgets of public employers and employees. "Significant investment gains in recent months bolstered PERSI's funding status to nearly 88%, relieving the need for a rate increase at this time," said Retirement Board Chairman Jody B. Olson. The rate increase was proposed because of the unprecedented decline in global markets in 2008-09 and the ensuing U.S. recession, which resulted in lower-than-expected investment income and accelerated PERSI's need to bring its unfunded actuarial liability (UAL) to less than 25 years pursuant to Idaho Statute (59-1322).

In December 2009, the Retirement Board proposed a rate increase to be phased in over a three-year period, the same approach used in 2002. Using a six-month grace period allowed the first increase of approximately 1.5% to coincide with the beginning of the state's 2012 fiscal year, followed by a 1.5% increase on July 1, 2012 and 2.31% increase on July 1, 2013. Today's postponement pushes out the rate increases by one year.

"The Retirement Board has to balance its fiduciary responsibility to ensure the actuarial soundness of the system with a sensitivity to member and employer budget constraints," noted Olson following the meeting. "We are confident postponing the rate increase will not compromise PERSI's stability, and we know how

much it will help the state and other public employers and their employees manage tight budgets. The action taken today will provide some much needed breathing room."

Postponing a scheduled rate increase is not something new to the Board. Periods of economic decline followed by recovery and growth have always affected PERSI's funding status. After the first rate increase proposed in 2002 was phased in (2004), the Board postponed and eventually cancelled the two remaining increases because PERSI's funded ratio had reached 105% by 2007. Contribution rates are lower today than in 1996.

On July 1, 2010, PERSI was 78.9% funded and had an unfunded liability of \$2.5 billion. By November 11, 2010, funding had risen to 87.7% and the unfunded liability had dropped to \$1.5 billion. PERSI is a solid performer with modest benefits. The PEW Center on the States defines solid performance for a retirement system to mean its funding is at or above 80%. The average PERSI retirement benefit is \$1342, making it the 11th lowest nationwide according to the National Institute of Retirement Security. In fiscal year 2010, PERSI paid \$522 million in benefits; 89% of that (\$465 million) went to retirees living in Idaho, which provided a significant boost to the state's economy.

A 1% cost of living adjustment (COLA) for PERSI retirees was also announced at the December board meeting. This was in accordance with Idaho State Statute 59-1355, which provides for a minimum and maximum cost of living adjustment based on the CPI-U measured from August to August each year. The 2010 CPI-U was 1.15%. Retirees will receive the COLA in March 2011.

PERSI VIDEO AVAILABLE ON WEB SITE

A video created by PERSI was distributed to state legislators in mid-December so they would have time to view it before the 2011 session begins. The video, titled "PERSI: A Brief Historical Summary," has been posted to the PERSI Web site at www.persi.idaho.gov ("PERSI News and Events"), and is also on YouTube at <http://www.youtube.com/watch?v=GRFKj4uWPaE>.

The video provides an overview of the system's history, funding status, benefits, and investment policies. It also touches on how PERSI's design and practices differ from other pension systems. The 14-minute video provides useful information in an easy-to-understand format.

CHOICE 401(K) PLAN ANNUAL STATEMENTS

The annual statements for the Choice 401 (k)Plan will be mailed to participants' homes near the end of January 2011. The statement provides participants with a review of their account activity throughout the 2010 calendar year. This statement should not be confused with the Base Plan annual statement mailing. Choice Plan quarterly statements are posted online to participant accounts for Q1, Q2, and Q3. The Q4 annual statement is mailed and also posted online.

CHOICE 401(k) PLAN LIMITS FOR 2011

Each year the Internal Revenue Service sets the contribution limits for retirement savings plans. Beginning on January 1, 2011, the limit on elective deferrals to the Choice 401(k) Plan will be \$16,500. This is the same as in 2010. The limit on catch-up contributions by members age 50 or older remains at \$5,500. The total of employee and employer contributions is limited to the lesser of 100 percent of compensation or \$49,000 for 2011.



CLASS II CERTIFICATION BEGINS JANUARY 5TH

In the August 2010 *News To Use* newsletter, PERSI announced programming changes that would require employers to submit an RS118 certification form for new Class II public safety officers and an RS118A form for new Class II and Class D firefighters. ***That change becomes effective January 5, 2011.*** As a reminder, below is the August article:

The first time a new Class II or Class D member is added to a transmittal file, the system will accept the file without requiring an approved RS118 form. If PERSI has not received and approved an RS118 form by the time the next payroll file is received, the file will be rejected with an error message regarding the missing or incomplete form. The Employer Service Center (ESC) will work with employers to resolve the issue so files can be successfully imported.

For those new to PERSI reporting, the RS118 forms certify a member's eligibility for public safety officer or firefighter classification, which affects contributions and benefits. This is a way to prove a member meets the

eligibility requirements and receives the entitlements associated with being a Class II member. The RS118 forms go into detail about who qualifies for this status. Be sure to read them carefully before completing the entire form. The subsection of the Idaho Code used to certify public safety officer eligibility must be cited in the member information section of the RS118 form.

PERSI is asking that new employees be certified to ensure the quality of our data and to make certain members are paying the right contributions, are eligible for the death and disability benefits of a Class II member, and ultimately that the correct retirement benefit is paid.

The RS118 forms can be found on the PERSI Web site under the "Forms" link in the **Employer Section** of the Home page. The forms can be completed and submitted online or downloaded and mailed to PERSI.

Contact ESC toll-free at 1-866-887-9525 or 287-9525 from the Boise area if you have questions about reporting or completing one of the RS118 forms.