



CONTRIBUTION RATE TO INCREASE JULY 1, 2013

At its December 4, 2012 meeting, the PERSi Retirement Board briefly discussed the contribution rate increase as well as the cost-of-living adjustment (COLA) for retirees and other issues. Because the rate increase of approximately 1.5% has been on the table for two years, the Board did not have to take action for it to go into effect automatically on July 1, 2013.

SHARED COST

PERSi employers and employees have always shared the cost of funding the plan. Employers currently pay 10.39% of payroll to PERSi and general members contribute 6.23% of their salary to fund future benefits. With the increase, employees will pay 6.79% and employers will pay 11.32%. (See table on page 4.)

KEEPING EMPLOYERS & EMPLOYEES UPDATED

Executive Director Don Drum has traveled the state in recent years talking with members, employers, constituency groups, and lawmakers about the contribution rate increase and other pension issues. PERSi has done its best to keep all interested and affected parties informed through meetings, presentations, web announcements, and newsletters. The message from PERSi to employers and members has consistently been to prepare for the increase.

NO MAJOR CHANGES OR REFORMS FOR PERSi

PERSi is among a handful of systems not to make benefit adjustments to address underfunding created by the global market downturn.

- Since 2009, PERSi's unfunded liability has been reduced by 35% without the proposed rate increases.
- Between 2009 and 2011, 43 states enacted benefit cuts or increased employee contributions.
- In 2012, seven states enacted major reforms.

Reforms by other states have included changing the benefit formula, raising age and years of service requirements for retiring, increasing the vesting period, changing economic assumptions, boosting contribution rates, and either limiting or doing away with annual cost-of-living (COLA) increases. PERSi's approach is conservative. Along with the small rate increase, effective July 1, 2012 the Retirement Board reduced PERSi's net return assumption to 7%, making it among the lowest of all public funds.*

[* Economic assumptions are generally chosen based on our actuary's expectations about the effect of future economic conditions on PERSi operations. These estimates are based on a mixture of experience, future expectations, and professional judgment. Plan assumptions anticipate a certain amount will be earned by the trust from investments and another amount -- an explicit amount -- will be collected from contributions. Together these revenue sources fund the system. By changing the assumption, PERSi believes it has set a reasonable expectation of net returns over the long-term and by raising contribution rates can ensure future stability.]

RATES STILL LOW

Many complex factors affect PERSi contribution rates; however, the effect of market volatility that continued into 2009 was the primary reason the increase was initially proposed. Contribution rate increases and decreases (as happened in 1996 when PERSi rates went down), are considered normal for retirement systems with a defined benefit plan. It is worth noting that even with the increase, employee rates remain lower than in 1996.

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Insights

YOUR AVERAGE MONTHLY SALARY AT RETIREMENT

Members are sometimes confused by the factors used to calculate a Base Plan retirement benefit. The formula has three basic components:

1. Average Monthly Salary (AMS)

- Average of your highest 42 consecutive months of salary earned during your PERSI career

2. Months of Credited Service

- How long you worked in an eligible position with a PERSI employer

3. Multiplier

- A percentage established by Idaho Code

Your highest 42 consecutive months of salary is a key factor when calculating a final retirement benefit. But some members say they don't understand how the high 42 consecutive months are determined.

DETERMINING YOUR AMS

PERSI analyzes your entire compensation history to determine AMS. Using your gross salary (before taxes or other deductions), PERSI looks for the most money you earned during a period of 42 consecutive months. There are some earning exceptions:

- Lump sum payments inconsistent with usual compensation patterns made by the employer to the employee are not included.
- Generally a bonus program that is part of an agency-wide policy and not directed at a single individual, will be accepted in the member's base period. However, if the bonus is for one person only and/or occurs for the purpose of increasing their AMS, it will not be included in the base period.

The highest 42 consecutive months will vary from member to member depending on each individual situation. For most members, the highest 42 comes near the end of their career, but not always.

Your benefit will be computed using the formula in effect in Idaho law at the time of your last contribution.

You must be working on or after the effective date of a formula for those factors to apply to your benefit.

In the example below, the member worked 20 years, 1 month (20 x 12 + 1 = 241 total months of service credit). Their highest salary came at the end of their career.

EXAMPLE

Salary	Year	Months	AMS
\$ 1,500	2008	1	
\$ 21,600	2009	12	
\$ 24,000	2010	12	
\$ 26,000	2011	12	
\$ 12,500	2012	5	
\$ 85,600	÷	42 =	\$2,038

The formula used to calculate your Base Plan retirement benefits

Your Average Monthly Salary (AMS)

During Base Period \$2038

Multiplier x 2.00%

= \$40.76

Months of Credited Service x 241

Annual Benefit = \$9823.16

÷ 12 months

Monthly Benefit = \$818.60

The Multiplier for Public Safety Officers is 2.3%

A SEASON FOR EVERYTHING: KNOW THE BEST TIME TO BUY

The holidays are over, and chances are you don't want to think about shopping again anytime soon. When you are ready to hit the stores once again, be aware you might get better pricing if you wait until the right "season" to make your purchase. Benjamin Franklin once said, "Necessity never made a good bargain." That couldn't be more true. Certain items are better priced throughout the year; so wait if you can, then shop wisely and save money using these tips.

Holiday Items: It comes as no surprise the prices of holiday wrapping paper, ornaments, cookie tins, and holiday baskets and decor are reduced after Christmas.

New Cars: Next year's models usually arrive in showrooms in September, making the current year model a good buy. Dealers generally offer incentives in the fall because they want to make room for the new models. Research shows weekday mornings are a good time to car shop because fewer buyers are on hand and the salespeople are often anxious to strike a deal.

High Definition TV: December is a great time to shop for a new TV because of holiday sales; however, the after holiday sales can be equal or better than the pre-Christmas sales. The bargains generally stop by mid-January in anticipation of the Super Bowl...with anticipation of the game, retailers don't put TVs on sale. If you're not in a hurry, wait until March or April when the older models go on sale. This is when manufacturers generally release new models, so retailers cut prices to make room for the new merchandise.

Flooring: Try to wait until December or January to get new flooring. Flooring retailers are busy in the fall when the people who've purchased a house over the summer are trying to spruce up their new home or when people are freshening up the house for the coming holidays. By December, business slows and the best deals are offered.

Cell Phones: Typically the best pricing comes in June and December -- graduation and Christmas or Hanukkah. This is when the retailers are vying for your business. Competition is fierce and better deals can be made... be sure to ask for a discount.

Gym Memberships: New Year's resolutions make gym membership take off in January, so not the best time

to buy. Wait a few months, when those resolutions are broken, the gym is less crowded, and the weather is turning warmer. Most people would prefer to exercise outside during the warm months, so this is your opportunity to get the best deal from your local gym. Often sign-up fees are waived and free months are given as an incentive to new members.

Clothing: Generally, if you wait 6-8 weeks after the item hits the store, you'll see the price drop. Thursday evening is a good time to shop because the weekend sales have started, the selection is still good, you won't have to deal with picked-over stock or wait in long lines at the register.

Tools: Think Father's Day. You will generally get the best pricing during the first three weeks of June.

Dishes: Dinnerware is a popular wedding gift. The most popular month for weddings is June, so that's when stores usually put dishes on sale.

Linens: White sales are held in January to encourage shoppers to stock up on towels and bedding. Those same items generally go on sale again in August as college students prepare to leave home for dorm living.

Groceries: Shopping Sunday evening allows you to take advantage of the Sunday paper coupons. If you hit the store in the off hours, you may find unadvertised specials on meats, prepared foods, and baked goods that need to be sold by the end of the day.

Gift Cards: People who don't want the gift cards they received for the holidays often put them up for sale on eBay, plasticjungle.com, or similar sites in January.

Furniture: New products are released twice a year -- in February and August. That means you can find some sweet deals in January and July when the stores are making room for the new inventory next month.

Final Tip: Consider shopping for the holidays all year round when you can take advantage of the best pricing -- you'll have more time for yourself and your family when the holidays come...and hopefully you'll have more money in your pocket.

Source: moneywatch, smartmoney, moneycrashers, frugal living

Employee Category	Employee Contribution 2012	Employee Contribution 2013	Employer Contribution 2012	Employer Contribution 2013
General Members Class 1,3,4	6.23%	6.79%	10.39%	11.32%
Public Safety Officers Class 2	7.69%	8.36%	10.73%	11.66%
Firefighters Class D	7.69	8.36%	27.97%	28.9%

REGULAR INTEREST FOR CALENDAR YEAR 2013

The regular interest rate members will earn on their personal Base Plan accounts starting January 1, 2013 will be 1.04%.

As a reminder, member contributions go into individual accounts held just for them. The money in individual Base Plan accounts plus any interest earned

always belongs to the members and will never be lost due to market conditions.

Members can check their account balance at any time by logging into their account using the *myPERSI* button [[myPERSI Login](#)] on the PERSI website.



www.persi.idaho.gov



PERSpectives is published quarterly for members of the Public Employee Retirement System of Idaho
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Costs associated with this publication are available from PERSI in accordance with §60-202, Idaho Code.

PERSI INVESTMENT NEWS

for Base Plan as of December 17, 2012

Value of the Fund:

\$12,511,949,097

Fiscal Year Change in Market Value:

\$577,953,152

Fiscal Year-to-Date Returns:

5.6%

Month-to-Date Returns:

1.0%

*Posted monthly on PERSI website: www.persi.idaho.gov
Fiscal Year 7/1/2012 - 6/30/2013