



Boise | Coeur d'Alene | Pocatello

# **PERSperspectives** FOR ACTIVE MEMBERS

Public Employee Retirement System of Idaho

Fourth Quarter 2019

**TOPICS** / Fiscal Year 2019 Highlights pg. 1-2 / Are You Thinking About Retiring? pg. 2-3 / Know The Advantages Of Your PERSI Choice 401(k) Plan pg. 3  
Attending A PERSI Workshop Is Even Easier pg.4 / Bulletins pg. 4 / Investment News pg. 4

## FISCAL YEAR 2019 HIGHLIGHTS

PERSI's fiscal year, ending June 30, 2019, was a good year even with significant market volatility. We finished the year with an asset value increase of over \$1 billion and an estimated return of 8.4%.

While the markets continue to be unpredictable, PERSI has relied on the same proven investment philosophy for over 25 years. PERSI keeps investments:



- SIMPLE** Rely primarily on public markets over time.
- TRANSPARENT** Easy to understand and explain.
- FOCUSED** Keep eye on the big picture.
- PATIENT** At least five to ten year horizon.

Some argue, with the recent market volatility, that pension systems must reform and change. While the markets are more volatile day to day or week to week, over longer periods of time the markets tend to balance out. Market volatility can influence some decisions that are time sensitive, however, our investment professionals have not seen the need to change our long-term investment strategy or asset allocation.

In addition, the Board remains vigilant toward the investment return assumption and our investment strategy. At every monthly Board meeting, the Board and our investment professionals discuss market trends and outlooks. The Board periodically discusses a broad range of factors that could affect the Plan's funded status.

During fiscal year 2019, the number of active PERSI members increased from 71,112 to 72,502. PERSI's retired members or annuitants receiving monthly allowances increased from 46,907 to 48,120.

The number of inactive members who have not been paid a separation benefit increased from 37,588 to 39,867. Of these inactive members, 13,536 have achieved vested eligibility.

Total membership in PERSI increased from 155,607 to 160,489 during the fiscal year. PERSI now has 808 public employers in the state who are members.



*continued on page 2...*

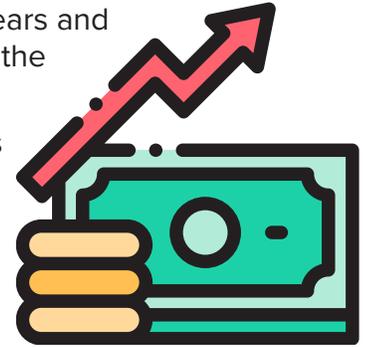


...continued from page 1

At the end of the fiscal year 2019, PERSI had an amortization period of 10.6 years and a funding ratio of 92.5 % (before any COLA decisions) of the present value of the projected benefits earned by employees.

There are no proposed contribution rate increases on the table for employers or employees.

PERSI's Financial Executive Officer, Alex Simpson, announced at the November Board meeting that active members will earn a regular interest rate of 7.22% on their personal Base Plan accounts from January 1, 2020, through December 31, 2020.



At the December 2019 Board meeting, the Board discussed the cost-of-living adjustment (COLA) for retirees. With the positive investment returns this year, the Board chose to grant a discretionary COLA of 0.70% for FY2020. They also decided to grant retro COLAs from FY2011 (1.77%), FY2012 (0.69%), FY2013 (0.52%) and FY2018 (1.70%) in addition to the legislatively-mandated 1% COLA.

Providing the Legislature approves the discretionary and retro COLAs, the adjustments become effective on March 1, 2020.

**NOT** all retirees will receive a retro COLA. Adjustments vary based on the retiree's retirement date. Affected retirees will receive a benefit change notice informing them of the adjustment.

PERSI remains one of the top ten state pension systems in the country. In a brief from *The PEW Charitable Trusts*, "The State Pension Funding Gap: 2017", published June 2019, PERSI was highlighted as 1 of just 8 states that were at least 90% funded while 24 states were below 70% funded.

In August, *Pensions & Investments* magazine, "U.S. Equities, Fixed Income Give Boost to Public Plans", listed PERSI as fifth in public plan returns for fiscal year 2019.

Overall, PERSI is doing well, but we must continue to be diligent to protect the well-being of the fund and address challenges as they arise.

## ARE YOU THINKING ABOUT RETIRING? LEARN MORE ABOUT MEDICARE AND OTHER OPTIONS

If you are nearing age 65 and starting to think about retirement, or already preparing for retirement, you may be confused about how Medicare works and the many options you have for health insurance. Idaho's Senior Health Insurance Benefits Advisors (SHIBA) program can help answer your questions.



SHIBA is a part of the Idaho Department of Insurance and has three main goals:

- Help people understand Medicare – how it works, the advantages and disadvantages of each option, and how to avoid costly mistakes like coverage gaps, penalties, and enrollment errors.
- Help Idahoans find the right plan for their health, prescriptions, and individual needs.

continued on page 3...



...continued from page 2

- Provide assistance with complaints, appeals, and grievances in the event of claim denials, billing disputes, or other issues.

SHIBA counselors can help you apply for assistance to pay for prescription drug costs, learn about Medicare options if you are under age 65, and provide the most current Medicare information.

SHIBA has many counseling sites throughout Idaho, and multiple Certified Medicare Counselors are available to assist beneficiaries or their caregivers. Services are free and unbiased.

To learn more about SHIBA, register for a SHIBA Medicare 101 class, or to schedule an appointment with a counselor, call 1-800-247-4422.

For more information about SHIBA, visit the website at <https://doi.idaho.gov/shiba/>

## KNOW THE ADVANTAGES OF YOUR PERSI CHOICE 401(k) PLAN

Considering taking a loan from your PERSI Choice 401(k) Plan? That can be tempting. Taking a loan from a 401(k) plan is easier than getting a bank loan. Plus, you pay your account back, with interest, through convenient payroll deductions. Sounds good so far. What are the downsides, if any?

Here are some things to consider:

- The money borrowed isn't being invested. That means you miss out on the tax-deferred growth and compounded earnings the money would have otherwise have generated.
- Your take-home pay is less because of the required loan payment.
- A 401(k) plan loan is repaid with after-tax dollars. That means future withdrawals will be taxed again on the interest component.
- If you leave your job before the loan is repaid, you still have to pay the loan in full. If not, the loan goes into default and becomes taxable income. It may also be subject to a 10% IRS penalty for withdrawals prior to age 59-1/2.

Empower Retirement, the recordkeeper for the Choice Plan, has a calculator on its website that you can use without even logging in ([www.mypersi40k.com](http://www.mypersi40k.com) - "Learning center" then "Wellness and financial resource center," then "calculators," then "Borrowing from your retirement plan") to help evaluate the pros and cons of taking a loan. The loan calculator is also available after logging into your account.

For instance, the chart shown displays the potential cost for a loan based on these assumptions: \$5,000 loan, 5-year repayment period, 6% current interest rate, current federal income tax rate of 25%, \$75 loan origination fee, low probability they'll leave their employer before the loan is repaid, and 7% expected annual rate.

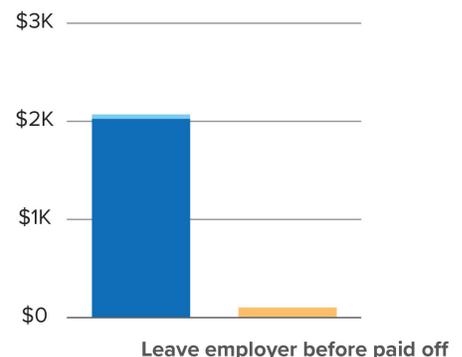
### Total potential costs of taking loan

**\$2,263**

■ Lost investment growth: **\$2,013**

■ Loan fees: **\$75**

■ Default risk: **\$175**



continued on page 4...

...continued from page 3

In this example, the person has a potential lost investment growth of \$2,013, a \$75 loan fee, and a default risk (leaving employment and not repaying the loan) of \$175. The total potential cost for this loan is \$2,263.

If you would like to learn more, you can reach a representative at 866-437-3774 on Saturdays from 7:00 a.m. to 3:30 p.m. and Monday – Friday, 6:00 a.m. to 8:00 p.m. Mountain Time.

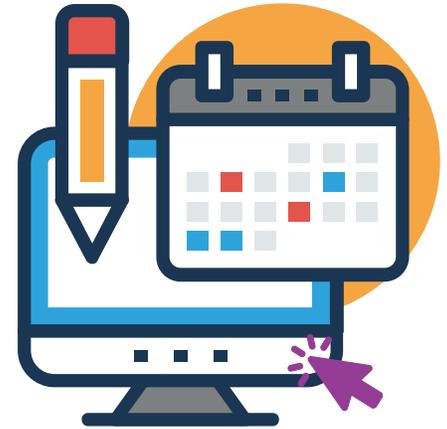
## ATTENDING A PERSI WORKSHOP IS EVEN EASIER!

Keeping employers and members informed is a priority for PERSI. We want to make sure you are taking advantage of your face-to-face training opportunities when PERSI trainers are in your area. PERSI members can register for *any* PERSI workshop at *any* hosting agency/employer location.

Our trainers want to meet and speak with members in all stages of their career. Whether you are a new member, a member considering retirement, or somewhere in the middle, our trainers can help you understand your PERSI benefit.

Go to PERSI’s website and click the [Check Workshop Schedule](#) link.

If you do not see a workshop in your area, let your HR/Benefits department know that you are interested. They can contact PERSI to schedule a workshop with one of our trainers.



**CHECK WORKSHOP  
SCHEDULE HERE**



## HAS YOUR MAILING ADDRESS CHANGED?

Updating your mailing address must be done through your employer’s transmittal, not PERSI. You will need to work with your employer to ensure that your current address is being submitted to PERSI.

Employers can only update an address on their payroll transmittals, so it may take up to a month for the address to be reflected in PERSI’s records.

Address changes affect your Base Plan and Choice 401(k) Plan accounts simultaneously. Once the address change is processed, all statements and correspondence will be mailed to the address of record.

### PERSI INVESTMENT NEWS

The fund reached a new all-time high of \$19,435,211,964 on December 13, 2019.



PERSI was recognized as one of the top state pension systems in *The PEW Charitable Trusts*, “The State Pension Funding Gap: 2017”, published June 2019 at <https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/06/the-state-pension-funding-gap-2017>.

### RETIREMENT BOARD OF DIRECTORS

Jeff Cilek, **Chairman**  
 Joy Fisher, **Trustee**  
 Celia R. Gould, **Trustee**  
 Park Price, **Trustee**  
 Darin DeAngeli, **Trustee**

**Executive Director** • Donald Drum  
**Deputy Director** • Michael L. Hampton  
**Public Information Officer** • Jenny Flint

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

Costs associated with this publication are available from PERSI in accordance with Idaho Code 60-202.