



PERSpectives



RETIREMENT BOARD AWARDS COLA

The December meeting of the PERSI Retirement Board included a decision regarding the cost-of-living adjustment (COLA) for retirees and beneficiaries. A 1% COLA was awarded. The change will go into effect on March 1, 2012.

BASIS FOR COLA

PERSI statute 59-1355 provides for a cost-of-living adjustment to retirement benefits. The COLA is based on the Consumer Price Index for Urban workers (CPI-U) for the 12 months ending August of the current year. The COLA is meant to keep retirement payments equal with inflation and help PERSI retirees maintain purchasing power. Based on the August 2011 CPI-U, a total of 3.77% was available as a COLA this year.

LEGISLATIVE REVIEW

A COLA of 1% is not subject to legislative review. If the CPI-U is greater than 1% and the Retirement Board finds the fund's actuarial assets equal or exceed the actuarial liabilities, including the cost of the COLA, it may provide for a discretionary COLA to bring the total COLA up to the CPI-U or to a maximum of 6%. A discretionary COLA greater than 1% is subject to legislative review and can be amended or rejected by the Legislature through a concurrent resolution. The Board also has some discretion to provide for a retroactive COLA, which is also subject to legislative review.

HOW A COLA IS APPLIED

COLAs are applied as a percentage increase to retiree monthly benefits. For example, if a retiree's benefit is \$1000/month in February and the COLA is 1%, starting on March 1st the retiree's benefit would increase to \$1010/month.

COLA ADJUSTMENT

For retirees in their first year of retirement, the COLA (and any retroactive COLA, if applicable) is applied as a percentage of the full COLA depending on the percentage of the year retirement was in effect. For example, if a member's date of last contribution was August 1st and the retirement date was September 1st, he/she was retired for 50% of the year (6 months: September - February). This retiree would receive 50% of the value of the COLA. (For 2012, that would be 0.5% of the 1% COLA).

DECISION RATIONALE

Retirement Board Chairman Jody Olson said, "In making this decision, we had to consider the impact a COLA has on the fund. Because there is still much uncertainty in the global markets and with the presidential election coming next year that may impact our economy, we felt a conservative approach was appropriate."

RETROACTIVE COLAs

A retroactive COLA is when the Board goes back and picks up any amount not awarded in the previous year or years to restore 100% purchasing power to retirees. The Board is hopeful and optimistic about restoring full purchasing power in the future. Retroactive COLAs are generally awarded when PERSI's funded level is high and market conditions are stable.

While the Board's goal is to restore 100% purchasing power to retirees, they must always balance the health of the fund with retiree needs.

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Insights

HEALTHCARE DECISIONS MADE FOR MANY SENIORS

Studies show a significant number of the elderly (more than one in four) eventually need someone to make end-of-life decisions about their medical care. Making your wishes known is sound advice.

The studies illustrate the benefit and value of people making their wishes known in a living will and/or by designating someone they trust to make treatment decisions for them. Those individuals who clarify their wishes in a living will usually get the treatment they want according to researchers. It was also reported only a handful of seniors wanted heroic measures used to prolong their lives without the hope of recovery.

Research published in the *New England Journal of Medicine* claims to be the first comprehensive accounting of how many seniors really end up needing medical decisions made for them.

When Congress considered healthcare reform in 2010, end-of-life care was part of the debate. A political storm ensued that likened any discussion about end-of-life care to “death panels.” When things settled down, Medicare was authorized to provide yearly physical examinations or wellness visits that could include advising patients about end-of-life care options and discussion of advanced directives.

Researchers had already concluded that advanced directives such as living wills and healthcare proxies to make end-of-life decisions are “important tools for providing care in keeping with patients’ wishes.”

The use of such directives has increased despite the debate over their usefulness. For nearly 20 years, hospitals and facilities have been required to provide advanced directives information to Medicare patients.

A living will is a document that states a person’s choices for treatment if he/she becomes unable to make decisions on his/her own. Critics complain they are often too vague to be useful. A healthcare proxy names another person - family or friend - to make medical decisions for you, if needed. Typical decisions involve using breathing or feeding tubes, resuscitation, or using CPR. Many people are comfortable with both documents in place.

In the study, researchers looked at how often the elderly reached a point where they could not make their own decisions because of dementia, stroke or debilitating illness. They also examined how many patients had a living will or proxy and evaluated the outcome.

Of the nearly 3800 people age 60 or older studied, the average age was 80. Following a death, the researchers interviewed relatives and friends to find out if the patient’s wishes were followed. The majority said they had been. Nearly all the patients had wanted limited or only “comfort” care; only 2% wanted aggressive care administered.

Talking with family and physicians about end-of-life issues in advance of a problem is the preferred approach...and is becoming more common. No one wants to be asked during an emergency what their relative would want and have to say, “I have no idea, we never really talked about it.”

To avoid putting your family in this difficult situation, talk to them...and talk with your doctor. Signing a document or assigning a proxy is good, but there’s nothing like expressing your wishes while you’re healthy enough to do so. Healthcare proxy forms and advanced healthcare directives can easily be found by doing an online search. Let your wishes be known...it’s a gift to give yourself and your family.

BE ALERT, BE AWARE...THE SCAMMERS ARE OUT THERE

The following scams seem to be among the most common. Being alert and aware could prevent you from becoming a victim.

1) **Nigerian Email Scam:** In return for paying the “fees or taxes,” you will supposedly receive a large inheritance or money from a foreign businessman or king. (Yes, some people actually fall for this.)

2) **Phishing:** A phony email meant to look like it’s coming from an official source such as a bank or the IRS. You are asked to click on the link in the email and submit your personal banking information and/or your Social Security number. Never give out personal information by email or over the phone unless you have initiated the contact.

3) **Work-at Home:** These scams promise lots of money for stuffing envelopes or assembling mail at home; but you may never see the money after doing the work. Not all work-at-home offers are scams...check out the organization before doing any work. Start by checking with the Better Business Bureau.

4) **Weight Loss Claims:** Pills, patches, and creams that promise unrealistic weight loss, especially in a very short amount of time, are a scam. Check with your doctor before starting any weight loss program. He/she can help you decide what will work best for you.

5) **Foreign Lotteries:** You will be told you have won the lottery (even if you don’t remember buying a ticket or playing the game) and to send money to collect your winnings. If you have to pay to collect, it’s a scam!

6) **Cure-All Products:** Products making outrageous claims and medical promises are a scam. Consult with your doctor for what will work best for you.

7) **Check Overpayment Scams:** This happens in online auction transactions when a buyer writes a check over the purchase amount and asks you to wire back the extra money to them. This can also happen if you’ve sold something online. Just waiting for a check to clear is not sufficient to prevent the scam. It can take weeks before a check is determined to be phony. The funds will eventually come out of your account. You’ll be out the item and your money.

8) **Pay-in-Advance Credit Offers:** You are notified you’ve been pre-approved for a loan or credit card. You may be asked to pay “fees” in advance or to provide money to load on the pre-paid card.

9) **Debt Relief:** Promises to consolidate debt and/or get creditors off your back can actually involve declaring bankruptcy.

10) **Investment Schemes:** A newer marketing tool used by real estate and financial advisors is to offer a “free meal” to seniors in exchange for attending an investment seminar. While many such offers are actually from legitimate organizations or reputable individuals, many are not. Check out real estate investors and financial advisors through your local Better Business Bureau before you decide to attend... otherwise, that “free” meal could be costly.

11) **Home Repairs:** Someone offering to do home repairs at a discounted price may be too good to be true. Don’t decide on the spot...if pressured to do so, it’s a scam. A reputable contractor will not expect an immediate answer.

12) **Grandchild Needs Money:** Supposedly one of your grandchildren calls saying they are in trouble and need money wired to them right away. Get a phone number where you can call back; then reach the child’s parent to find out what they know.

13) **Holiday Orders:** Emails about online purchases are common during the holidays. Emails that look like they come from a legitimate retailer (e.g., Amazon.com) with the subject line of “Order Error, Order Confirmation, or Credit Card Refused” cause the recipient to open the email. They are asked to confirm personal information, which the scammer then captures and uses.

By adjusting your security settings and spam filter on your personal computer, you may be able to catch these kinds of scams before they ever hit your inbox. And for other scams, use common sense. As the saying goes, “If it sounds too good to be true, it probably is.” If you have elderly parents, make sure they know about these scams and help them be alert and aware so they aren’t victimized.



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PERSI INVESTMENT NEWS

as of December 15, 2011

Value of the Fund:

\$11,181,983,596

Fiscal Year Change in Market Value:

\$(794,797,134)

Fiscal Year-to-Date Returns:

-5.9%

Month-to-Date Returns:

-1.7%

*Posted monthly on PERSI website: www.persi.idaho.gov

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