

the
CHOICE 
is yours

A HIGHLIGHT OF
YOUR CHOICE
401(K) PLAN



PERSI

Public Employee Retirement System of Idaho

The Choice is Yours!

WELCOME TO THE PERSI CHOICE 401(K) PLAN

If you're like most people, your goal isn't to work your entire life. The number of years you save, and how you invest those savings, can have a dramatic impact on when you are able to retire and how comfortable that retirement will be.

Many financial experts predict that most people will need 75% to 90% of their pre-retirement income to maintain the lifestyle they enjoyed before they stopped working. As an eligible PERSI member, you're already on your way to reaching your long-term financial goals.

A Good First Step...The PERSI Base Plan

You are automatically enrolled in the PERSI Base Plan, a plan to which you and your employer make contributions.

Those contributions are designed to provide traditional pension benefits – meaning the longer you work for an employer who participates in PERSI, the greater your Base Plan retirement benefit will be. While the PERSI Base Plan is not designed to be your primary or sole means of support, it is a great start!

What About Social Security?

For most people, Social Security will provide only a portion of your retirement income. Combined with the PERSI Base Plan, it still may not be enough for you to enjoy a comfortable, secure retirement.

The Next Step...The PERSI Choice 401(k) Plan

The PERSI Choice 401(k) Plan is designed to help you save more for retirement. Let's examine some of the important highlights:

- ◆ **You** elect how much of your pay you want to defer to your account. This could be a percentage of your pay (including overtime), in whole percentage amounts from 1% to 100% or a whole dollar amount (depending on your employer). The maximum allowable contribution for 2009 as determined by the IRS is \$16,500. However, if you will be age 50 or older during 2009, you may make additional catch-up contributions of \$5,500 to the Choice 401(k) Plan for 2009.

You're Invited...Come Look Around!

This printed highlight brochure provides a high-level overview of the benefits available to you through the PERSI Choice 401(k) Plan.

If you would like more details, or if you're simply more of a "visual" learner, we encourage you to join us for an online "tour!" By taking this tour, you'll learn more about:

- ◆ Saving basics
- ◆ How the Choice 401(k) Plan works
- ◆ Advantages of the Choice 401(k) Plan
- ◆ How to get started
- ◆ And much more!

Click on "Take the Web Tour" on the PERSI Website or go to www.persi.idaho.gov/choice. By taking this quick tour, you will be considerably more familiar with the features of the Choice Plan, the steps you need to take to enroll, and how to use the tools and resources available to you.

- ◆ Contributions (including catch-up contributions) must coordinate with certain other retirement plans in which you may participate and are limited to the maximum allowable contribution per year as determined by the IRS (see the PERSI Choice 401(k) Plan Comparison Chart that accompanied this brochure for more details).
- ◆ **You** are able to invest your contributions among several investment options. If you choose not to direct your contributions, they are automatically directed to the Total Return Fund, which is invested the same way that the PERSI Base Plan is invested, making it a highly diversified fund.
- ◆ PERSI *may* also make a periodic contribution (referred to as Gain Sharing) to your Choice 401(k) Plan account, if the funding levels in the PERSI Base Plan permit and the Board of Directors decide it is appropriate.
- ◆ You are always 100% vested in (fully own) your Choice 401(k) Plan account balance.
- ◆ As long as you are an active PERSI member, PERSI pays your record keeping fees. In addition, if you invest in the Total Return Fund (the default fund), your account is not reduced by direct investment management fees, unlike other investment options.
- ◆ Your full account balance is available to you when you retire, end your employment with a PERSI-participating employer, or become totally disabled (subject to income tax consequences and a potential early withdrawal penalty). In the event of your death, your beneficiary(ies) is entitled to the full value of your account. Depending on your circumstances, you may choose from a number of payment options.

The Advantage of Pre-Tax Savings

Contributions you make to the Choice 401(k) Plan are deducted from your pay before federal and state income taxes are calculated. Pre-tax savings is one of the most valuable features of the Choice 401(k) Plan. This means you do not pay any income tax on that money until it is withdrawn. So, money you would normally pay to the government instead goes to your account, where it has the opportunity to earn (on a tax-deferred basis) more money for you!

In addition, because your pre-tax contributions are deducted from your pay before income taxes are deducted, your current taxable income is lowered. That means you'll actually see *more* put into your 401(k) account than comes out of your take-home pay. How much more depends on your particular situation; typical tax savings range from 25% to 35% of the contribution amount. The chart on page 3 illustrates how the advantages of pre-tax savings might positively affect your take-home pay.

You Don't Spend What You Don't See...

Contributions to the Choice 401(k) Plan are taken from your paycheck before you receive it. This method of saving for the future is sometimes referred to as "paying yourself first."

Visit www.persi.idaho.gov/choice to learn how to set a retirement goal, including how to decide how much money you will need when you retire and how much you should save to reach your goal.

HOW PRE-TAX SAVINGS WORKS

This example is hypothetical and for illustrative purposes only. Actual taxes will vary.

	Pre-Tax Savings in the Choice 401(k) Plan	After-Tax Savings in a Traditional Account Outside of the Plan
Total Annual Pay	\$30,000	\$30,000
10% Pre-Tax Contribution*	\$3,000	\$0
Taxable Income	\$27,000	\$30,000
Federal Tax Withheld**	\$4,295	\$4,975
Net Income	\$22,705	\$25,025
After-Tax Savings Outside of the Plan	\$0	\$3,000
Spendable Income	\$22,705	\$22,025

*You pay federal taxes on pre-tax contributions when you withdraw the funds. Note that you may also save on state taxes so your actual tax savings may be higher than the amount shown here.

**Based on a single individual with the standard deduction in 2009.

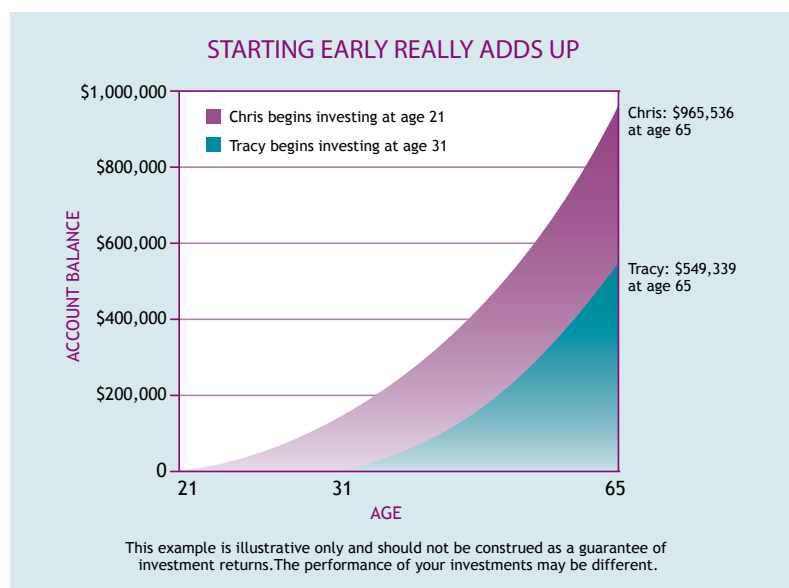
Start Saving Early...It Makes All the Difference

Your 20s and 30s are key ages for building the foundation of your retirement savings. Unfortunately, many of us don't start saving this early because we tell ourselves we're too young to worry about retirement and we face more immediate financial needs – such as paying off student loans, buying a car or house, or starting a family. However, the earlier you start saving for retirement, the more time you'll have to take advantage of the benefits of compounding interest. Investing just a small amount now can grow to significant savings over time.

Take the example of two potential savers: Chris and Tracy. Let's assume both start their careers with a PERSI-participating employer initially earning \$30,000, receive 3% raises each year, contribute 6% of their pay to the Choice 401(k) Plan and earn 8% on their savings each year. Chris begins saving at 21; Tracy waits 10 years.

The difference is dramatic, as the bar chart below shows: Chris will have saved and earned \$965,536 for retirement at age 65, while Tracy will have just \$549,339. The power of time really pays off for Chris compared to Tracy. For only \$20,000 more in contributions during those first 10 years, the total savings are over \$415,000 more.

But remember, even if you're not in your 20s and 30s anymore, time can still be on your side, so start now! It's never too late to start saving or to take advantage of compounding interest. Even if you may be getting closer to retirement, you won't need all your money in the first few years, which should allow additional time for your savings to grow.



TAKE CONTROL OF YOUR FUTURE

When you make voluntary contributions to your Choice 401(k) Plan account, you can also direct how those funds are invested.

Because everyone's situation is unique, not everyone's goals or comfort with investment risk are the same. Ask yourself these questions when determining what kind of investor you are.

- ◆ What do you want to do in retirement and, thus, how much money will you need?
- ◆ How much time do you have before you're ready to retire – and how long will you need to make those funds last?
- ◆ Finally, how much risk are you willing to take?

Log on to www.persi.idaho.gov/choice and take the Web Tour for help with answering these and other questions to determine your investor "profile."

Diversification

No matter what kind of investor you are, most financial advisors suggest diversifying your portfolio to get the best return for the amount of risk with which you are comfortable. But ultimately...what funds you choose are up to you.

A diversified portfolio includes fund options with a mix of equity, fixed income and balanced instruments, which helps reduce your account's dependency on one type of investment choice. So while one investment may be performing a certain way, another in your portfolio may be performing a bit differently.

The Choice 401(k) Plan provides you with the ability to diversify your retirement assets. You may allocate your assets in 1% increments among the investment options.

The Choice 401(k) Plan also provides another method of diversification by offering a well-diversified default investment option called the Total Return Fund, which is a professionally managed balanced fund.

Rollovers Into The Choice 401(k) Plan

Do you have money in another plan you'd like to move into the Choice 401(k) Plan? You can roll money into your Choice 401(k) Plan account from one or more of the following plans:

- ◆ 401(a)
- ◆ 401(k)
- ◆ 403(a)
- ◆ 403(b)
- ◆ 457 (governmental)
- ◆ Pre-tax IRAs
- ◆ Spousal Beneficiary Account

After-tax contributions cannot be rolled into the Choice 401(k) Plan.

No Record Keeping Fees... Another Choice Advantage

As long as you are an active PERSI Base Plan member, PERSI pays your record keeping fees!

Investment Fund Options

Balanced Options

PERSI Total Return Fund. This is the plan's default investment fund. It invests Choice 401(k) Plan participants' contributions along with the assets of the PERSI Base Plan. It is a diversified fund that generally invests 35 - 55% in US and global equities, 12 - 30% in international equities, and roughly 25 - 30% in fixed income securities. It includes primarily publicly traded stocks and bonds with significant private holdings in real estate, private equity and commercial mortgages.

Calvert Social Investment (Sudan-Free) Fund. This is a diversified fund which represents a Sudan-free balanced option for Plan participants. Calvert defines "SRI" as Sustainable and Responsible Investing, although it is often used as an abbreviation for Socially Responsible Investing. This fund seeks to achieve a competitive total return through an actively managed portfolio of approximately 60% stocks and 40% bonds and other fixed income instruments, which offer income and capital growth opportunity, and satisfy the investment and social criteria.

Equity Options

Mellon U.S. Equity Market Strategy (Wilshire 5000). This is a broad market index fund which seeks to replicate the performance and characteristics of the Wilshire 5000 Index providing long-term capital growth from exposure to stocks that represent the entire U.S. equity market.

Mellon S&P 500 Stock Index Fund. This option seeks to replicate the performance and characteristics of the Standard & Poor's 500 Index. The fund should provide long-term capital growth by investing in stocks that are weighted toward the largest domestic companies. The fund should hold each stock in proportion to its weight in the index.

Vanguard Growth and Income Fund. This actively managed, large-capitalization core fund seeks long-term growth of capital and income from dividends. The fund invests in a diversified group of stocks and seeks to provide higher returns than the Standard & Poor's 500 Index while having similar risk characteristics.

Mellon Market Completion Stock Index Fund (Wilshire 4500). This mid-capitalization index fund seeks to replicate the returns and characteristics of the Wilshire 4500 Completion Index.

T. Rowe Price Small Cap Stock Fund. This actively managed, small capitalization core fund seeks to achieve investment returns that are consistently superior to the Russell 2000 Small Cap Index.

Mellon International Stock Index Fund (MSCI EAFE). This international equity index fund seeks to replicate the performance and characteristics of the MSCI EAFE (Free) Index. The fund seeks to provide long-term capital growth by investing in international stocks. The fund invests in developed markets and holds stock in proportion to its weight in the index.

Brandes Institutional International Equity Fund. This actively managed, large capitalization, international equity fund seeks long-term capital appreciation by investing principally in common and preferred stocks of foreign companies in developed markets and securities that are convertible into such common stocks. The fund typically invests 80% of assets in equities of issuers located in no less than three foreign, developed market countries; up to 20% in securities of companies located in emerging market countries; and up to 10% in small capitalization companies.

Fixed Income Options

Mellon Aggregated Bond Index Fund. This aggregate index fund seeks to replicate the performance and characteristics of the Barclays Capital U.S. Aggregated Index, a broad fixed-income index covering the U.S. investment grade bond market.

Dodge and Cox Income Fund. This actively managed fixed income fund seeks a high and stable rate of current income, consistent with long-term preservation of capital. A secondary objective is to take advantage of opportunities to realize capital appreciation.

SEI Stable Asset Fund. This actively managed fund seeks to provide high current income, with the preservation of capital as the primary objective.

The fund descriptions included in this brochure provide a summary of each fund's investment approach and are not a guarantee of future investment performance. Capital preservation and money market fund unit/shares are not issued or guaranteed by the U.S. government. There can be no assurance that any capital preservation or money market funds will be able to maintain a stable net asset value of \$1.00 per share/unit as yields fluctuate. The net asset value and investment return of equity and bond funds will fluctuate, and fund shares may be worth more or less than original cost upon redemption.

Total Return Fund

The Total Return Fund is the default investment fund for the Choice 401(k) Plan. It is a diversified fund consisting of a balanced mix of asset classes and is invested the same way that the PERSI Base Plan is invested.

When you begin contributing to the Choice 401(k) Plan, your contributions are automatically invested in the Total Return Fund. Your contributions will remain invested in this Fund until you make a different investment allocation election. If you don't make such a change, your contributions will remain with the Total Return Fund.

The fact that you, as a PERSI member, are not charged any direct investment management fees, unlike other investment options in the Choice 401(k) Plan, should be considered when making your investment selections. See the "Be Aware of Fees" section of the PERSI Choice 401(k) Plan Comparison Chart.

Whatever investment option(s) you choose, the important thing is to start today!

Rollover Contributions

You can rollover eligible distributions from other plans, such as another 401(k), 457, or 403(b) plan. After-tax contributions cannot be rolled into the Choice 401(k) Plan. Refer to the box on page 4 or log on to www.persi.idaho.gov for more information.

Gain Sharing Contributions

For eligible members, PERSI *may* make a contribution to your Choice 401(k) Plan account if extraordinary funding levels in the PERSI Base Plan are achieved and the Board of Directors decides that such a contribution is appropriate. This contribution is called "Gain Sharing." PERSI will send out more information regarding Gain Sharing if the funding level permits this contribution to occur.

Choice 401(k) Plan Loans

The primary purpose of saving in your Choice 401(k) Plan account is for retirement; however, the plan has a loan feature that may allow you access to your account's available balance during your employment. Of course, rules and guidelines apply. Log on to www.persi.idaho.gov/choice and take the Web Tour for more information about a Choice 401(k) Plan loan.

In-Service Transfers

You may transfer funds from your Choice 401(k) Plan Account to the PERSI Base Plan while you're still working to repay Base Plan separation benefits, waiting periods or delinquent contributions.

With a 401(k) Loan

- ◆ You don't pay taxes if repayments stay on schedule
- ◆ You have to repay it, plus interest or incur taxes and penalties
- ◆ Your plan balance is reduced
- ◆ You can continue to participate in the plan

With a 401(k) Withdrawal

- ◆ Usually, you will have to pay taxes
- ◆ You cannot repay it
- ◆ Your plan balance is permanently reduced
- ◆ Certain withdrawals cause a 6-month suspension of contributions
- ◆ The IRS requires that a loan be taken before a hardship withdrawal

In-Service Withdrawals

In addition to loans, you may be able to request a withdrawal of any “rollover contribution” funds within your Choice 401(k) account and/or a “hardship withdrawal” of your funds while you are actively employed.

Rollover Withdrawal – A withdrawal of any rollover contributions from your account can be made for any reason. However, unless the funds are rolled over into an eligible retirement account, they will be subject to an early distribution penalty (if you are under age 59½) and the mandated federal income tax withholding.

Hardship Withdrawal – A hardship withdrawal may only be taken for certain immediate and heavy financial needs as determined by IRS regulations. To receive a hardship withdrawal, you must satisfy certain conditions including exhausting your loan and rollover withdrawal options. In addition, funds from a hardship withdrawal will be subject to normal income taxes and an early distribution penalty if you are under age 59½.

For more information about in-service withdrawals, log on to www.persi.idaho.gov.

Distribution Options

You may access all of the funds in your account if you retire, end your employment with a PERSI participating employer or become disabled. Depending on your circumstances, you may leave your assets in the Plan* or choose one or a combination of payment options:

- ◆ A lump sum
- ◆ Monthly installment payments**
- ◆ Rollover to an eligible retirement plan (401(a), 401(k), 403(b), 457, or pre-tax or Roth IRA)
- ◆ Purchase of Base Plan service

For more information about distribution options and the tax consequences of your distribution, log on to www.persi.idaho.gov.

*You must have at least \$200 in your account to maintain a Choice 401(k) Plan account.

**If your account balance is \$5,000 or more, and you have reached the Choice 401(k) Plan’s Normal Retirement Age (50), you may elect to receive installment payments; otherwise, you must choose one of the other options, such as a lump sum payout.

Account Statements

You can access a statement of your Choice 401(k) Plan account activity online at www.persi.idaho.gov. The Choice 401(k) Plan provides you with three types of account statements:


Online Statement – This statement is prepared quarterly and includes any activity on your account within the quarter. These are available online approximately 15 business days after the end of each quarter.

Dynamic Online Statement – This online statement allows you to specify a certain time period to summarize the activity in your plan account and your personal rate of return during that time period.

Annual Print Statement – This statement is prepared annually summarizing any activity within your account during the calendar year, and is mailed to your home address during the first few months each year.

Your Base And Choice 401(k) Plan Are Just A Click Away

You can access both your Base and Choice 401(k) Plan accounts by using myPERSI. To access myPERSI, follow these simple steps:

- Go to www.persi.idaho.gov
- Click on the  link in the top right hand corner of the page
- Log on to myPERSI using your email address and password you created when you registered. If you are new to myPERSI, click on the “Register Now” link to go through the registration process. You will be sent an email with your new password within approximately 30 minutes.

Once you log on, you can access your Base and Choice 401(k) account information, including balances and investment choices, as well as other resources and tools.

What Do You Need To Do To Take Advantage Of The Choice 401(k) Plan Today

- Step 1:** Review the other Choice 401(k) Plan materials you received in the mail, if you’ve not done so already.
- Step 2:** If you want more information, click on “A Web Tour of Your PERSI Choice 401(k) Plan” on the PERSI Website at www.persi.idaho.gov. By taking this tour, you will be considerably more familiar with the features of the Choice 401(k) Plan, the steps you need to take to enroll and select your investment funds, and how to use the tools and resources available to you.
- Step 3:** Complete the Choice 401(k) Plan Deferral Election Form RS801 included with this brochure.
- Step 4:** Give the completed form to your employer’s Human Resources or Payroll Department. Do not send this form to PERSI or the Plan Administrator (ACS).

QUESTIONS?

If you have questions about your Choice 401(k) Plan benefits, help is just a click or call away 24 hours a day, 7 days a week...

www.persi.idaho.gov or 1-866-437-3774

The automated toll-free system is always available. Choice 401(k) Plan customer service representatives are available from 7 a.m. to 6 p.m. MST, Monday through Friday

Representatives from ACS HR Solutions, the Choice 401(k) Plan administrator, are available to answer your questions about the Choice 401(k) Plan. However, if you want to speak to a PERSI representative (or if you have questions about your PERSI Base Plan service), please call PERSI at 1-800-451-8228, 7:30 a.m. to 5:30 p.m. MST, Monday through Friday.

Note: Statements regarding federal income tax requirements and plan rules are based upon current understanding of the law and are subject to change as a result of subsequent amendments, regulations and interpretations. Participants are urged to consult their own tax advisors for advice concerning their particular circumstances.

The above is only a brief summary of the plan features. In the event of any discrepancy between this document and the Plan documents and IRS code, the Plan documents and IRS code will govern. Specific limitations and requirements are stated in detail within the legal plan document available at www.persi.idaho.gov/documents/Choice_Plan_Legal_Document.pdf

