



PERSpectives



First Quarter 2009

Public Employee Retirement System of Idaho

2008 CUSTOMER SERVICE SURVEY RESULTS

Each year, a survey is distributed to members who meet with PERSI staff. The survey goes to both those with an appointment and those who walk into the office without one. The goal is to get a survey into the hands of as many members as possible. The results of the 2008 Customer Service Survey were presented to the Retirement Board at its February 24, 2009 meeting.

Measuring Performance

Feedback from members is vital to PERSI, so we want to thank everyone who returned a survey during the past year. Those who receive a survey in the future are encouraged to complete the short form and return it in the postage-paid envelope provided. We value your comments whether they are compliments or criticisms. If we don't measure our performance, we won't know how or where to make improvements. The PERSI staff is proud of the quality service they provide to members, and they strive to maintain at least a 95% satisfaction rating from members – a rating that has been achieved or exceeded every year. Below are the findings from the 2008 survey:

Of the 1166 surveys mailed, 616 (53%) were returned...a 20% increase over last year.

1. Nearly every respondent (99%) rated their overall experience with PERSI as meeting or exceeding expectations.
2. The majority (80%) of members came into PERSI regarding their retirement.
3. All (100%) of those who responded felt the PERSI staff was courteous and helpful.
4. Most (85%) walk-ins (those without an appointment) waited less than 1 minute after signing in before someone assisted them.

5. A little more than a quarter (27%) of respondents said they contacted PERSI about the same issue more than once.
 - There were several reasons members contacted PERSI multiple times: they had additional questions, they needed to provide additional information or documents to PERSI, or because PERSI needed to gather or provide additional information.
6. Members with appointments (48%) waited 1 minute or less after signing in until they went into their meeting. The next largest group of respondents (24%) said they waited approximately 2-3 minutes; and the remainder waited 3-5 minutes for their scheduled meeting.
7. Most members (88%) said making an appointment was easy.
8. Respondents gave a high approval rating (99%) to the PERSI Retirement Specialists.
9. Those who expressed dissatisfaction (1%) with their office visit said they felt rushed, didn't understand what they were told, or believed they were given inaccurate information.

PERSI will review the responses as well as the written comments to make improvements during the coming year. Our goal is to always provide members with the highest level of service possible. Thank you again to everyone who participated in the 2008 survey program. We look forward to serving you in 2009.

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Insights

STAYING FOCUSED IN TURBULENT TIMES -Don't derail your retirement-

Sticking with your retirement savings goal in turbulent times can be challenging. Everyone who has a retirement savings account has been affected by the downturn in the global economy. If you feel anxious, you're not alone. There are three steps you can take to maintain your focus: 1) continue saving money for your future; 2) reduce your taxes by investing in a tax-deferred account; and 3) look to long-term investing for greater growth potential. This article will help you understand some of the commonly used strategies for staying focused on your retirement goals.

Continue Saving

These days many people are frightened by the decline in value of their retirement accounts. Financial experts almost unanimously agree the worst move you can make is to stop saving. If you save nothing, you'll have nothing. So rather than stop saving during these difficult times, a better strategy is to change your investment choices. This is called asset allocation. If your money has been invested in aggressive funds in the past, which probably meant you earned higher returns, it may be time to consider the more conservative investment options available to you. If you are invested in the Choice 401(k) Plan, you can get fact sheets on every investment option by visiting the PERSI Web site at www.persi.idaho.gov. If you scroll down to the bottom of the **Choice Plan** page, you will find a **Choice 401(k) Plan Investment Options** link. You can change your investment choices quickly and easily online. Regardless of the country's economic situation, you should review and evaluate your investments annually.

Reducing Taxes

Just like it's important to minimize your investment fees and expenses, it is also important to invest to reduce your taxes. Saving for retirement in a tax-deferred account, such as the Choice 401 (k) Plan, means you not only reduce your taxes now, but also don't pay federal income taxes until you take money out of the account rather than during the time money is being invested. Plus, the earnings on your investments are also tax deferred as long as they remain invested. Since your earnings are reinvested and nothing is taken out to

pay taxes, you've got more money to compound and grow. This means when you withdraw the funds, your retirement investment may be larger than a similar investment that was subject to annual capital gains tax. And, since you are investing for retirement you are more likely to be in a lower tax bracket when you finally withdraw the money than you are today.

Long-Term Investing

Now that you've committed to continue saving and you're investing in a tax-deferred retirement account, the next step is to understand how to manage your investments over the long term. As stated earlier, start by evaluating your asset allocation to find the right balance between risk and return. Before the market downturn, you may have been investing in higher risk, higher return investments. Today, you may want to reallocate your funds to more conservative, less risky options. Some call this "fixing the mix." Your money will still work for you, but you won't see the returns you enjoyed just a year ago.

Before fixing the mix, you should understand a common investing practice called "dollar cost averaging" (DCA). This is a technique designed to reduce market risk by systematically investing a fixed dollar amount at regular intervals. Many investors already practice DCA without realizing it. Using DCA, more shares are purchased when prices are low and fewer shares are bought when prices are high. Regardless of your investment mix, you are practicing DCA if you contribute money on a regular basis to a retirement account and purchase more shares at a lower cost while prices are down. The expectation is that when the market rebounds, prices will rise and you will make money.

If you've ever planted a garden, you did more than sow the seeds. You made a commitment to water, fertilize and weed. Investing for retirement is similar. It requires more than a commitment to saving. It also requires constant attention to changing conditions, and occasionally some action on your part to ensure you reach your retirement goals.

IF YOU DON'T UNDERSTAND THE JARGON...YOU'RE NOT ALONE

Today, many public pension systems are facing significant financial challenges. Many, in fact, owe their members more than the system can afford to pay out in retirement benefits. PERSI has been and continues to be in better shape than most retirement systems nationwide. However, make no mistake, we have incurred losses. With the media and others providing us with a daily dose of financial news, it's a good time to explain some terms that you've probably heard bantered around lately, such as funded ratio, amortization period, actuarial assets and liabilities, and unfunded liability.

For a retirement system to properly fund the payment of benefits in future years, it must systematically amass funds on a regular basis. So let's make sure you understand your Base Plan and how it is funded. The Base Plan is a defined benefit plan (pension), which uses a formula that includes your average monthly salary over a base period, a multiplier, and months of credited service to determine your retirement benefit. It is funded through your contributions, your employer's contributions, and investment revenue.

With the current state of the economy, it's no surprise PERSI's investment revenue has declined. PERSI went from being a fund valued at \$11.2 billion with a 105 percent funded ratio, to a \$10.7 billion fund with a funding ratio of 93.3 percent at the end of fiscal year 2008. A **funded ratio** is a picture of the status of a retirement system's assets and liabilities. It identifies future obligations, which are amortized over extended periods and should not necessarily be viewed as a test of how well a retirement system can meet its current or future obligation to pay retirement benefits.

Next, it's important to understand an amortization period. **Amortization** is the gradual reduction of the value of an asset or liability by some periodic amount. By Idaho Code (59-1322), PERSI's amortization period cannot exceed 25 years. This means PERSI's actuarial unfunded liability is calculated to theoretically disappear in 25 years. As of July 1, 2008, the date of the last actuarial valuation, PERSI's amortization period was 15.6 years.

So what is **actuarial unfunded liability**? It is the excess of a retirement plan's actuarial liability over the actuarial value of its assets. It's not as complicated as it may sound. Let's break it down: **Actuarial liability** is the amount a retirement system expects to pay out over the long term.

Actuarial value of assets is the amount a retirement system expects to have available to pay retirement obligations over the long term.

Investment losses are the primary reason PERSI currently has an unfunded liability. So what can PERSI do to improve the situation? There are a few options. One is to increase contribution rates. This is an option that will be considered by the Retirement Board later this year. Another option is to reduce benefits for future retirees. This option **IS NOT** being considered. In addition, there are two areas that could reduce the stress on PERSI:

1. **Early Retirement**: Actuarial studies help PERSI project when members will retire. When members are given an early retirement incentive program (ERIP) award, it disrupts the pattern of retirement causing members to terminate employment sooner than expected. Early retirement means the member will be collecting retirement benefits for a longer period than anticipated, so it is a greater cost to PERSI.

2. **Salary Spiking**: Retirement benefits are calculated based on the "highest average compensation" over 42 months, which is usually near the end of a member's career. If the member's salary is "spiked" with bonuses or pay increases to entice them to terminate early, it causes an artificial and unanticipated increase in the benefit payout by PERSI.

Ideally, PERSI assets should equal the present value of the projected benefit obligations at any given time. That is currently not the case. As the market changes, members can expect PERSI's situation to also change. Although this period in our history seems extremely dire compared to anything we've experienced in the past, PERSI is confident that when our economy rebounds, we will be well positioned to rebound too. Naturally our current deficit is a concern; but there is no doubt about the sustainability of PERSI. Members should not worry about their Base Plan benefits, they are **guaranteed** by Idaho law.

Hopefully, this brief article helps you understand some of the pension industry jargon used by PERSI, the media, financial experts, and government officials...and eases any concerns you have about your retirement benefits.

PERSI WEB SITE REDESIGNED

If you haven't visited the PERSI Web site (www.persi.idaho.gov) recently, it might be worth your time to check it out. The newly designed Web site is user friendly and easier to navigate than before. The site clearly lays out sections for members, employers, and retirees. There are also sections devoted to investments, online services, and the retirement workshops. And no more searching for the latest news or important announcements — they are posted on the home page.

The Web site is a great source for information about the Choice 401(k) Plan, for downloadable forms, and for contact information. Members are invited to browse the Web site to learn more about their benefits or to register for a workshop. We hope you utilize the Web as a quick and easy way to get information. If you have comments or suggestions regarding the Web site, you can let PERSI know by clicking on the **Communications** or **Webmaster** links on the **Contact Us** page.

PERSI INVESTMENT NEWS

as of March 18, 2009

Value of the Fund:

\$ 8,129,698,666

Fiscal Year Change in Market Value:

\$ (2,782,027,207)

Fiscal Year-to-Date Returns:

-25.1 %

Month-to-Date Returns:

4.0%

*Posted monthly on PERSI Web site: www.persi.idaho.gov



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I D A H O

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